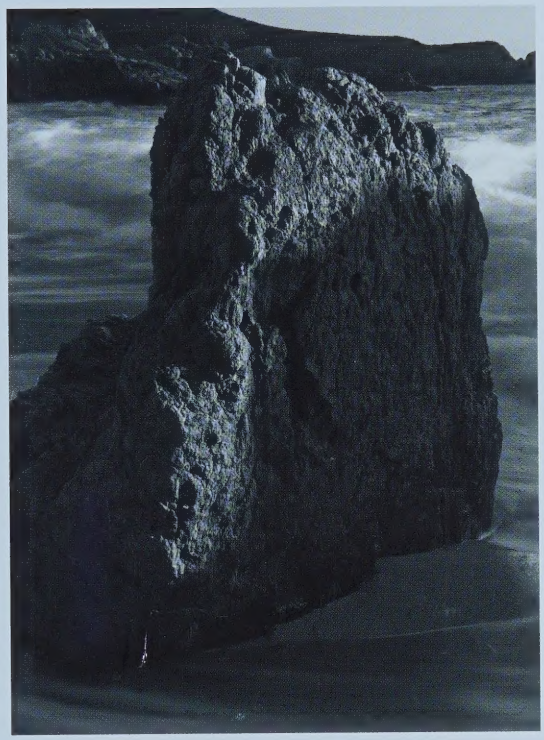


STRENGTH | FOCUS | GROWTH

IGM Financial

ANNUAL REPORT 2007

IGM FINANCIAL INC. is one of Canada's premier financial services companies with $123 billion in assets under management. The Company serves the financial needs of Canadians through multiple businesses, each operating distinctly within the advice segment of the financial services market. The Company is committed to building on its record of delivering growth and value to its clients and shareholders. IGM Financial Inc. is a member of the Power Financial Corporation group of companies, and its shares are listed on the Toronto Stock Exchange (IGM).

Investors Group™ Mackenzie INVESTMENTS Investment Planning Counsel™ FINANCIAL SOLUTIONS FOR LIFE

Caution Regarding Forward-Looking Statements

This report may contain forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could". In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future Company action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete strategic transactions and integrate acquisitions and the Company's success in anticipating and managing the foregoing risks. The reader is cautioned that the foregoing list of important factors is not exhaustive. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company has no specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures

This Annual Report contains non-GAAP financial measures. Terms by which non-GAAP financial measures are identified include but are not limited to "adjusted net income", "adjusted diluted earnings per share" and "adjusted return on average common equity" used to provide management and investors with additional measures to assess earnings performance. As well, "Earnings before interest and taxes (EBIT)" and "Earnings before interest, taxes, depreciation and amortization (EBITDA)" are non-GAAP financial measures used to provide management, investors and investment analysts with additional measures to evaluate and analyze the Company's results. However, these non-GAAP financial measures do not have a standard meaning and are not directly comparable to similar measures used by other companies and may not be directly comparable to any prescribed GAAP measure. Please refer to the appropriate reconciliations of these non-GAAP financial measures to measures prescribed by GAAP.

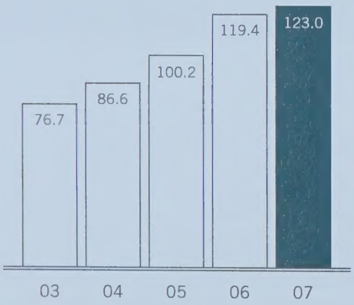
FINANCIAL HIGHLIGHTS

	2007	2006	CHANGE
Net income *($ millions)*			
Adjusted(1)	**$ 863.8**	$ 763.0	**13.2%**
GAAP	**879.1**	776.7	**13.2**
Diluted earnings per share			
Adjusted(1)	**3.23**	2.85	**13.3**
GAAP	**3.29**	2.90	**13.4**
Return on equity			
Adjusted(1)	**21.5%**	21.1%	
GAAP	**21.9%**	21.4%	
Dividends per share	**1.775**	1.535	**15.6**
Total assets under management(2) *($ millions)*	**$122,982**	$119,364	**3.0%**
Investors Group			
Mutual funds	**60,194**	58,216	**3.4**
Mackenzie			
Mutual funds	*46,563*	*46,600*	
Sub-advisory, institutional and other accounts	*16,714*	*14,941*	
Total	**63,277**	61,541	**2.8**
Counsel Group of Funds			
Mutual funds	**2,268**	2,206	**2.8**

	INVESTORS GROUP	MACKENZIE	COUNSEL GROUP OF FUNDS	TOTAL(3)
Mutual Funds and Institutional Sales *($ millions)*				
Gross sales	**$ 7,229**	**$ 12,688**	**$ 364**	**$ 19,856**
Net sales	**2,158**	**1,030**	**139**	**3,151**

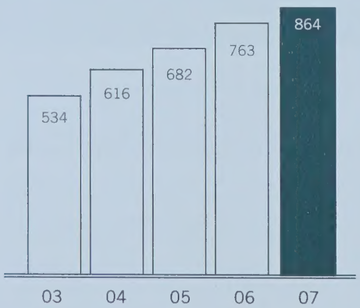
Total Assets Under Management

As at December 31 *($ billions)*



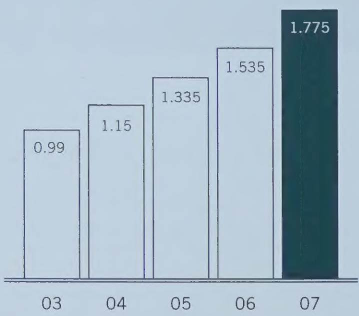
Net Income(4)

For the financial year *($ millions)*



Dividends Per Share

For the financial year *($)*



(1) *Non-GAAP Financial Measures:*

2007 results exclude a non-cash income tax benefit of $15.3 million recorded in the fourth quarter resulting from decreases in federal corporate income tax rates and their effect on the future income tax liability related to indefinite life intangible assets from the acquisition of Mackenzie Financial Corporation in 2001. 2006 results exclude a non-cash income tax benefit of $13.7 million, as discussed above. There is no expectation that the future tax liability will become payable as the Company has no intention of disposing of these assets.

(2) *Total assets under management excludes $2.7 billion of assets sub-advised by Mackenzie on behalf of Investors Group ($2.6 billion at December 31, 2006) and is adjusted for $31 million in inter-segment assets ($35 million at December 31, 2006).*

(3) *Total Gross Sales and Net Sales exclude $425 million and $176 million respectively in accounts sub-advised by Mackenzie on behalf of Investors Group.*

(4) *2003 excludes dilution gain, restructuring reversal related to Mackenzie and non-cash income tax charge. 2004 excludes unitholder compensation. 2006 and 2007 exclude a non-cash income tax benefit.*

REPORT TO SHAREHOLDERS

IGM Financial and its operating companies experienced continued growth in 2007 which once again produced positive financial results for its shareholders. Investors Group Inc. and Mackenzie Financial Corporation, the Company's principal businesses, continued to generate strong activity in terms of sales, product innovation, investment management, and resource development.

The Company is diversified within multiple markets, distribution channels, product types, investment management units, and various brands. A central theme in all we do is to support financial advisors as they help investors to reach their financial goals. These strong relationships, and our association with other members of the Power Financial Corporation group of companies, have placed the Company in a position of leadership and strength in the industry. Together, these elements enable IGM Financial to create long-term value for its clients, Consultants, advisors, and shareholders.

Adjusted net income for the year ended December 31, 2007 was $863.8 million compared to adjusted net income of $763.0 million in 2006, an increase of 13.2%. Adjusted earnings per share were $3.23 in 2007 compared to $2.85 in 2006, an increase of 13.3%. Adjusted net income in both years excluded a non-cash income tax benefit resulting from decreases in the federal corporate income tax rates and their effect on the future income tax liability related to indefinite life intangible assets arising from the acquisition of Mackenzie Financial Corporation in 2001. A benefit of $15.3 million was reported in the fourth quarter of 2007 and $13.7 million was reported in the second quarter of 2006. Net income without adjustment for the year ended December 31, 2007 was $879.1 million compared to net income without adjustment of $776.7 million in 2006, an increase of 13.2%. Earnings per share on this basis were $3.29 in 2007 compared to $2.90 in 2006, an increase of 13.4%.

Total assets under management at December 31, 2007 totalled $123.0 billion. This compares with total assets under management of $119.4 billion at December 31, 2006, an increase of 3.0%.

Dividends increased for the 18th consecutive year, rising 24 cents to $1.775 per share for the year.

INDUSTRY PERSPECTIVE

In the latter part of 2007, market volatility began to occur based on much-publicized credit concerns and slowing U.S. economic growth. In this context, financial planning which focuses on the long-term perspectives of current and potential investors becomes more appreciated and valued.

The important role of an advisor in helping with financial planning is appreciated by the vast majority of investing Canadians. The Investment Fund Institute of Canada (IFIC) has now published two annual surveys conducted in 2006 and 2007 indicating that approximately 85% of mutual fund investors preferred to invest through an advisor and they highly rated the support and advice provided by their advisors.

OPERATING HIGHLIGHTS

Growth of the Investors Group Consultant network accelerated through 2007. A further seven region offices were opened in the year. Net sales of mutual funds rose significantly from $1.35 billion to $2.16 billion during the period based on record high gross sales and a record low redemption rate on long-term mutual funds.

Assets under management grew 3.4% to $60.2 billion. Investors Group continued to respond to the complex financial needs of its clients by delivering a diverse range of products and services in the context of personalized financial advice.

Mackenzie maintained its focus on delivering consistent long-term investment performance true to the multiple styles deployed in the investment process, while emphasizing product innovation and quality through all its operations. This quality focus is evidenced by the strength of Mackenzie's relationships with financial advisors. Its commitment to experienced and talented investment management continued in 2007 with the hiring of additional resources, including a new Chief Investment Officer.

Mackenzie continued to see growth in its business as reflected in average assets under management which increased by 16.7% versus the prior year to $63.5 billion. Total assets under management were up 2.8% to $63.3 billion.

IGM Financial continues to strengthen its business through a strategic focus on multiple distribution opportunities delivering high-quality advice, innovative investment and service solutions for investors. Our scale and investment in technology and operations continue to help us manage our resources effectively and develop long-term growth in our business.

LOOKING AHEAD

The financial planning needs of Canadians are evolving and increasing in complexity as the range of investment choices expands and those in their 40s, 50s, and 60s deal with their savings, transition and income needs. IGM Financial is well positioned to meet this growing need – through our support of investor needs, our commitment to provide quality investment advice and financial products, our service innovation, and our effective management of the Company.

We will continue to focus our businesses to deliver strong value to our clients and our shareholders.

On behalf of the Board of Directors,

Murray J. Taylor
Co-President and
Chief Executive Officer
IGM Financial Inc.

Charles R. Sims
Co-President and
Chief Executive Officer
IGM Financial Inc.

February 14, 2008

Investors Group™

INVESTORS GROUP INC.

Investors Group is committed to comprehensive financial planning delivered through long-term client and Consultant relationships. We provide financial planning advice and services through a network of over 4,300 Consultants to nearly one million Canadians.

HIGHLIGHTS

- Growth of the Consultant network remains strong, increasing from 3,917 at the end of the previous year to 4,331 Consultants in 2007.
- Mutual fund gross sales increased by 16.8% in 2007 to $7.2 billion. Net sales of mutual funds were $2.2 billion, up 60.4% from 2006.
- Driven by the strength of our client relationships, the 12-month trailing redemption rate for Investors Group's long-term mutual funds has declined to 7.3% for 2007, our lowest level on record.
- Assets under management grew by 3.4% to $60.2 billion at December 31, 2007.

REPORT ON OPERATIONS

In 2007, Investors Group continued to make progress in a number of key areas. Growth in the Consultant network, combined with a further decline in our redemption rates, is evidence of client and Consultant satisfaction with the service and products that are provided to meet their financial planning needs.

CONTINUED CONSULTANT NETWORK STRENGTH

During 2007, we added seven new region offices bringing our expansion over the last three years to 19 new region offices. Fourteen consecutive quarters of continuous growth since mid-2004 is to some degree the result of improvements to our training and support programs, which occurred in 2003 and 2004. Since June 30, 2004, the Consultant network has expanded by 35% from 3,207 to 4,331 at December 31, 2007.

The company's commitment to training and support is integral to our Consultants' ability to deliver effective financial advice in an increasingly complex market. New Consultants refined their skills through an emphasis on field-based training delivered by experienced field leadership and mentorship from successful senior Consultants. Investors Group's annual APEX conference offers advanced financial planning and practice management training to over 1,300 Consultants each year.

Our culture provides Consultants with an entrepreneurial environment and unique support structure to deliver personalized service and knowledgeable advice to our clients.

Murray J. Taylor

President and Chief Executive Officer
Investors Group Inc.

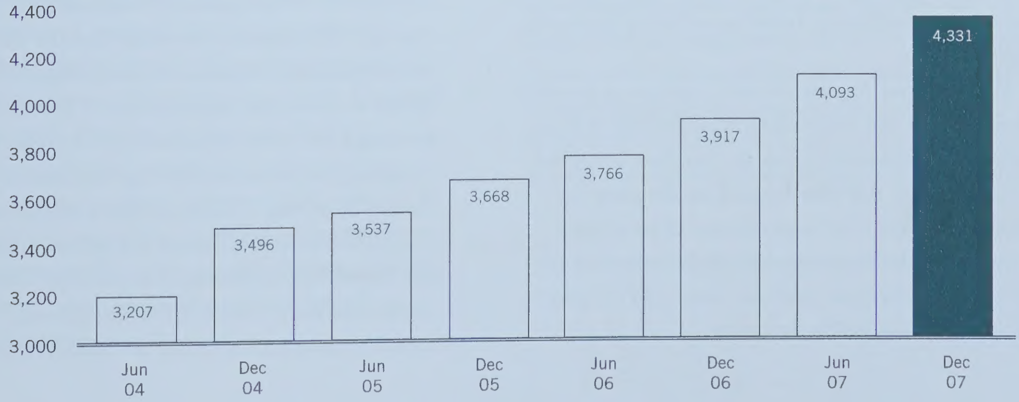
PRODUCTS FOR AN EVOLVING MARKETPLACE

The financial planning needs of Canadians are growing in complexity. Investors Group provides an industry-leading range of products and services to meet these diverse needs. We offer investment management, insurance, securities, mortgage products and other financial services to our clients through integrated financial planning.

In addition to our $60.2 billion in mutual fund assets, we have helped our clients establish $43.7 billion in insurance coverage in force and $7.4 billion in *Solutions Banking*† and mortgage loan balances.

Our Symphony Strategic Investment Planning™ supports Consultants in building optimized risk-adjusted portfolios for clients and provides enhanced reporting features.

Consultants
At quarter end *(#)*



We apply our experience and expertise in product development and investment management to bring timely and innovative funds to Canadian investors.

In late 2006, the Investors Group Charitable Giving Program was introduced. One of the few of its kind in Canada, the program offers the opportunity for many Canadians to build an enduring charitable giving legacy.

We apply our experience and expertise in product development and investment management to bring timely and innovative funds to Canadian investors. Fund launches this year focused on the growing capital and cash flow requirements of an aging population, the importance of global investing to diversify investments, and our continued support for socially responsible investing.

Investors Group's commitment to the ongoing evolution and expansion of its product and service offering enhances our ability to deliver comprehensive financial planning to meet the evolving personal financial needs of our clients.

BUILDING COMMUNITIES

In 2007, Investors Group expanded its support of the communities in which our employees, Consultants, and clients live and work. Consultants and employees continued to donate their time and expertise to hundreds of charitable organizations.

The spirit of volunteerism has been strong and continues to be recognized throughout the country. During 2007, employees worked together through several initiatives including our leadership of Winnipeg's efforts to donate the most amount of food to a local food bank in a 24-hour period. On October 20 and 21, Winnipeg surpassed the existing Guinness World Record by raising 176 tons to help feed those in need.

In 2007, Investors Group was proud to present the fourth annual Herbert H. Carnegie Community Service Award to Reine L'Écuyer-Hébert. This award is named after Order of Canada recipient and

former Investors Group Consultant Herbert Carnegie, who in his 35 years with the company, came to epitomize the qualities of success and care for others in the community. This year's honouree was Reine, an Executive Consultant with the Sherbrooke Quebec region office. Reine has committed countless hours to improving the lives of children in need through her hands-on work with organizations providing nutritional support and recreational programming for children and their families.

Corporately, Investors Group has a long association with the United Way and its support of local campaigns in communities across Canada. We are also a major supporter of Imagine Canada and Volunteer Canada in encouraging charitable giving and volunteerism by Canadian companies. In addition, Investors Group supports the Canadian Association of Food Banks through *Food for Thought*, a national campaign of local initiatives to raise awareness about hunger-related issues.

Investors Group's long-standing commitment to corporate citizenship is rooted in the strong, enduring relationships we have developed with people in our communities.

Investors Group's long-standing commitment to corporate citizenship is rooted in the strong, enduring relationships we have developed with people in our communities.

BUILDING ON STRENGTH

Investors Group continues to focus on its strengths as building blocks for the future. In 2007, the Consultant network growth, the active engagement of our 1,600 employees, and the continual refinement of financial planning, product and service offerings demonstrate the company's commitment to meet the evolving financial needs of Canadians.

Mackenzie INVESTMENTS

MACKENZIE FINANCIAL CORPORATION

Mackenzie provides investment advisory services utilizing proprietary investment research and experienced investment professionals. We distribute our services through independent financial advisors utilizing a wide range of investment solutions to meet investor needs.

HIGHLIGHTS

- Total sales for the company were $12.7 billion versus $11.7 billion in 2006, an increase of 8.3%.
- As of December 31, 2007, total assets under management were $63.3 billion, up 2.8% from the prior year-end. Institutional, sub-advised, and other assets under management increased to $16.7 billion, up 11.9% from the prior year. Average assets under management were $63.5 billion, up 16.7% from the prior year.
- We introduced a number of new investment solutions in 2007. Investors were given more choice in the growing fixed-income sector where Mackenzie launched four new funds: Mackenzie Universal Global Infrastructure Fund, Mackenzie Founders Income & Growth Fund, Mackenzie Cundill Global Dividend Fund, and Mackenzie Universal Global Property Income Fund. We continued to expand our foreign product offerings with the launch of Mackenzie Cundill Emerging Markets Value Class and Mackenzie Cundill International Class.

REPORT ON OPERATIONS

In 2007, Mackenzie and its subsidiaries continued to focus on business growth, product innovation, client effectiveness, and employee development. Average assets under management, a key driver in our business model, increased by 16.7% over the prior year. Growth in assets under management was muted in the traditional mutual fund business with the increased volatility experienced in the domestic and global equity markets in the second half of the year. We continued to see expansion in the sub-advised portion of our institutional business.

Our product lineup evolved again this year with many changes to increase portfolio manager flexibility, to add additional hedged classes to existing funds, to expand our domestic and foreign income-oriented investment solutions, and to simplify the lineup for advisors and investors.

In response to the increasing need for retirement solutions, we created and launched the Mackenzie Destination+P Funds, a family of target-date funds with a guaranteed maturity amount built into the product if investors remain in the investment until the target date maturity.

Charles R. Sims

President and Chief Executive Officer
Mackenzie Financial Corporation

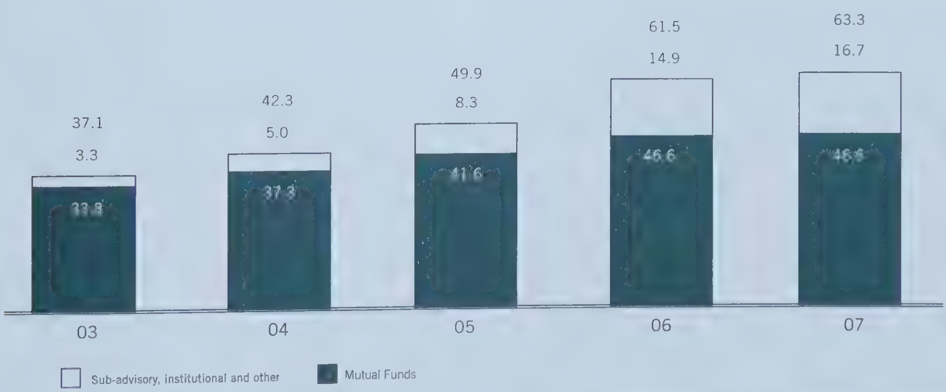
We remained focused on the effectiveness of our service capabilities within the different lines of the business.

The quality and depth of investment research, and the experience of Mackenzie's portfolio managers and sub-advisors have all contributed to the company's ability to provide clients with high-quality investment products.

INVESTMENT MANAGEMENT

Under the Mackenzie master brand, we deploy a sub-branding strategy that includes the Cundill*, Ivy*, Maxxum*, Sentinel*, Focus*, and Universal* sub-brands, to highlight the diverse investment styles and objectives offered within our diversified product lineup. We also provide asset allocation, target-date, and target-risk solutions through the Keystone*, Symmetry*, Destination[P], and Star* sub-brands. The quality and depth of investment research, and the talent of Mackenzie's portfolio managers and sub-advisors have all contributed to our ability to provide clients with consistent long-term investment performance results.

Total Assets under Management
As at December 31 *($ billions)*



The strength of Mackenzie's distribution network is built on our long-standing and expanding relationships with financial advisors and representatives across the breadth of our distribution channels.

DISTRIBUTION

The strength of Mackenzie's distribution network is built on our long-standing and expanding relationships with financial advisors and representatives across the breadth of our distribution channels. These relationships allow the company's products to be efficiently distributed through retail brokers, financial advisors, insurance agents, banks, and financial institutions, giving the company one of the broadest retail distribution platforms of any investment company in Canada. We continue to look for opportunities to expand into the sub-advised, institutional and high net worth businesses outside Canada.

SERVICE

We are committed to consistently deliver high-quality service to our clients, while striving to improve both the level of service and cost efficiency.

Mackenzie products are distributed widely through the financial advice channel and the company is proud of the partnership it has established with financial advisors over its history. Through the dedicated efforts of our employees, these relationships continue to grow, as Mackenzie now reaches more than 30,000 advisors and 1.4 million investors across Canada. In addition to the timely and accurate reporting of fund performance and account activity, company representatives regularly meet with advisors to gain insight and assist advisors in delivering investment products that help clients reach their financial goals. Advisors also benefit from ongoing education programs through Mackenzie University, which delivers leading business management and product training programs.

PRODUCT FOCUS

Mackenzie's product capabilities continued to expand during the year with the introduction of innovative new solutions designed to provide clients with additional choice and diversification. This determination to stay at the forefront of our business sector through innovation was highlighted by the company's decision to introduce target-date retirement products and increase the choice of global income-oriented funds.

The company is dedicated to providing clients with high quality, innovative investment solutions and strives to maintain strong long-term investment performance across its multiple product offerings.

INVESTING IN COMMUNITIES

Mackenzie's commitment to quality and excellence extends to community involvement and is focused in three areas: the Mackenzie Charitable Giving Fund*, corporate philanthropy, and employee volunteerism through the Mackenzie Financial Charitable Foundation, a registered charity managed by Mackenzie employee volunteers.

This past year marked the 40th anniversary of Mackenzie Financial Corporation working in partnership with financial advisors, and 25 years of service at MRS. We celebrated these anniversaries in a year that also saw milestone anniversaries for products that have been important to our business growth: the mutual fund has been in Canada for 75 years and 50 years for the Registered Retirement Savings Plan.

The company is dedicated to providing clients with high-quality, innovative investment solutions and strives to maintain strong long-term investment performance across its multiple product offerings. We are proud of our track record, our people and our business.

Investment Planning Counsel™
FINANCIAL SOLUTIONS FOR LIFE

INVESTMENT PLANNING COUNSEL INC.

Investment Planning Counsel is an integrated financial services company focused on providing Canadians with high-quality financial products, services, and advice, while helping them achieve their financial dreams. Investment Planning Counsel is dedicated to providing independent financial planners with the tools, products, and support they need to build a better business.

Investment Planning Counsel is one of the largest financial planning organizations in Canada. From its inception in 1996 through 2007, it has continued to evolve and adapt to meet the needs and expectations of their clients and advisors.

HIGHLIGHTS

- In 2007, Investment Planning Counsel saw assets under administration increase from $10.3 billion to over $12.7 billion, an increase of 23.2%.
- Assets under management in the Counsel Funds grew from $2.2 billion to $2.3 billion in 2007, an increase of 2.8%.
- Investment Planning Counsel partners with over 700 advisors across the country and continues to attract advisors into its business model.

STRENGTH IN PARTNERSHIP

The relationship between IGM Financial and Investment Planning Counsel provides a solid foundation for growth and excellence. The scale, strength, and expertise of IGM Financial allows Investment Planning Counsel to improve operational efficiencies in various processes such as compliance and back-office infrastructure. The relationship enables the company to provide its advisors with a strong and stable operating environment, thereby allowing them to build a better business, while providing enhanced client service.

In addition to investment management solutions, advisors have access to a suite of insurance, securities, and mortgage products. The broad product offering gives advisors a range of financial products to service their clients' evolving needs.

BUILDING FOR THE FUTURE

Investment Planning Counsel continues to improve its product and service offering for advisors and clients. With ongoing improvements to its business fundamentals, Investment Planning Counsel will continue to deliver value to advisors and clients, while building its reputation as a leading network of advisors.

Financial Section

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) presents management's view of the operations and financial condition of IGM Financial Inc. (IGM Financial or the Company) for the years ended December 31, 2007 and 2006. Commentary in the MD&A as at and for the year ended December 31, 2007 is as of February 13, 2008.

Basis of Presentation and Summary of Accounting Policies

The Consolidated Financial Statements of IGM Financial, which are the basis of information presented in the Company's MD&A, have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars – refer to Note 1 of the Consolidated Financial Statements.

Principal Holders of Voting Shares

As at December 31, 2007, Power Financial Corporation (PFC) and Great-West Lifeco Inc. (GWL) held 56.0% and 3.5%, respectively, of the outstanding common shares of IGM Financial.

FORWARD-LOOKING INFORMATION

This report may contain forward-looking statements about IGM Financial, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could". In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future Company action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete strategic transactions and integrate acquisitions and the Company's success in anticipating and managing the foregoing risks. The reader is cautioned that the foregoing list of important factors is not exhaustive. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company has no specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

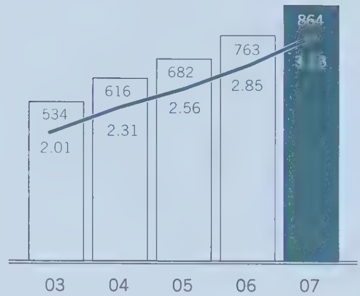
IGM Financial Inc.
Summary of Consolidated Operating Results

Net income for the year ended December 31, 2007 was $879.1 million compared to net income of $776.7 million in 2006, an increase of 13.2%. Diluted earnings per share in 2007 were $3.29 compared to diluted earnings per share of $2.90 in 2006, an increase of 13.4%. Net income in both years included a non-cash income tax benefit resulting from decreases in the federal corporate income tax rates and their effect on the future income tax liability related to indefinite life intangible assets arising from the acquisition of Mackenzie Financial Corporation in 2001. There is no expectation that the future tax liability will become payable as the Company has no intention of disposing of these assets. A benefit of $15.3 million was reported in the fourth quarter of 2007 and $13.7 million was reported in the second quarter of 2006. Adjusted net income, excluding the non-cash income tax benefit, was $863.8 million for the year ended December 31, 2007 compared to adjusted net income of $763.0 million in 2006, an increase of 13.2%. Adjusted diluted earnings per share on this basis were $3.23 compared to $2.85 in 2006, an increase of 13.3%.

Shareholders' equity was $4.2 billion as at December 31, 2007, compared with $3.8 billion at December 31, 2006. Adjusted return on average common equity for the year ended December 31, 2007 was 21.5% compared with adjusted return on average common equity of 21.1% in 2006. The quarterly dividend per common share was increased to 46.0 cents in 2007 from 39.75 cents at the end of 2006.

Net Income and Diluted Earnings per Share

For the financial year *($ millions, except per share amounts)*



2003 excludes dilution gain, restructuring reversal related to Mackenzie and non-cash income tax charge.

2004 excludes unitholder compensation.

2006 and 2007 exclude a non-cash income tax benefit.

TABLE 1: RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

	2007		2006		2005	
($ millions)	NET INCOME	EPS	NET INCOME	EPS	NET INCOME	EPS
Adjusted net income – Non-GAAP measure	**$ 863.8**	**$ 3.23**	$ 763.0	$ 2.85	$ 682.4	$ 2.56
Non-cash income tax benefit	**15.3**	**0.06**	13.7	0.05	–	–
Net income – GAAP	**$ 879.1**	**$ 3.29**	$ 776.7	$ 2.90	$ 682.4	$ 2.56
EBITDA – Non-GAAP measure	**$ 1,699.5**		$ 1,535.3		$ 1,365.5	
Commission amortization	**(332.2)**		(298.6)		(260.2)	
Amortization of capital and intangible assets	**(25.7)**		(21.7)		(22.4)	
Interest expense on long-term debt and dividends on preferred shares	**(104.9)**		(105.0)		(107.5)	
Income before income taxes and non-controlling interest	**1,236.7**		1,110.0		975.4	
Income taxes	**(354.7)**		(331.2)		(291.5)	
Non-controlling interest	**(2.9)**		(2.1)		(1.5)	
Net income – GAAP	**$ 879.1**		$ 776.7		$ 682.4	

NON-GAAP FINANCIAL MEASURES

Adjusted net income, diluted earnings per share (EPS) and return on common equity (ROE) for the year ended December 31, 2007 excluded a non-cash income tax benefit of $15.3 million recorded in the fourth quarter resulting from decreases in federal corporate income tax rates and their effect on the future income tax liability related to indefinite life intangible assets. Adjusted net income, EPS and ROE for the year ended December 31, 2006 also excluded a non-cash income tax benefit of $13.7 million recorded in the second quarter. While these non-GAAP financial measures are used to provide management and investors with additional measures to assess earnings performance, they do not have standard meanings and are not directly comparable to similar measures used by other companies.

Earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA) are also non-GAAP financial measures. EBIT and EBITDA are alternative measures of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results. EBITDA is discussed further in the Consolidated Liquidity section later in this MD&A. These non-GAAP financial measures do not have standard meanings and are not directly comparable to any GAAP measure or to similar measures used by other companies.

The reconciliation of non-GAAP results to reported results in accordance with GAAP for net income, EPS and EBITDA is provided in Table 1. The reconciliation of non-GAAP results to reported results in accordance with GAAP related to EBIT is provided in Table 2.

REPORTABLE SEGMENTS

IGM Financial's reportable segments, which reflect the current organizational structure, are:

- Investors Group
- Mackenzie
- Corporate and Other

Management measures and evaluates the performance of these segments based on EBIT as shown in Table 2.

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT

	INVESTORS GROUP		MACKENZIE		CORPORATE & OTHER		TOTAL	
($ millions)	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Fee income	**$ 1,512.4**	$ 1,343.3	**$ 1,043.4**	$ 934.1	**$ 145.2**	$ 114.9	**$ 2,701.0**	$ 2,392.3
Net investment income and other	**126.2**	146.0	**19.9**	27.1	**48.0**	39.2	**194.1**	212.3
	1,638.6	1,489.3	**1,063.3**	961.2	**193.2**	154.1	**2,895.1**	2,604.6
Operating expenses								
Commissions	**460.1**	392.5	**395.3**	370.4	**91.7**	69.9	**947.1**	832.8
Non-commission	**293.6**	273.9	**292.9**	267.5	**36.5**	32.0	**623.0**	573.4
	753.7	666.4	**688.2**	637.9	**128.2**	101.9	**1,570.1**	1,406.2
Earnings before interest and taxes	**$ 884.9**	$ 822.9	**$ 375.1**	$ 323.3	**$ 65.0**	$ 52.2	**1,325.0**	1,198.4
Interest expense							**88.3**	88.4
Income before income taxes and non-controlling interest							**1,236.7**	1,110.0
Income taxes							**354.7**	331.2
Income before non-controlling interest							**882.0**	778.8
Non-controlling interest							**2.9**	2.1
Net income								
In accordance with GAAP							**$ 879.1**	$ 776.7
Adjusted net income(1)							**$ 863.8**	$ 763.0

(1) Refer to Summary of Consolidated Operating Results for an explanation of the Company's use of non-GAAP financial measures.

Discussion of Investors Group and Mackenzie segment operating results is contained in their respective sections of this MD&A.

The Corporate and Other segment includes operating results for Investment Planning Counsel, net investment income earned on unallocated investments and other income as well as inter-segment eliminations.

Earnings before interest and taxes for Corporate and Other were $65.0 million for the year ended December 31, 2007 compared to $52.2 million in 2006. Earnings before interest and taxes related to Investment Planning Counsel were $3.5 million higher than 2006 levels. Net investment income on unallocated investments increased by $8.6 million in 2007 compared with 2006. The increase was due primarily to dividend income which increased by $6.6 million as a result of the increase in the amount invested in the corporate securities portfolio during 2007 as discussed in the Consolidated Liquidity and Capital Resources section of the MD&A. Interest income increased by $2.0 million primarily as a result of the increases in interest rates that occurred in the early part of 2007.

Certain items reflected in Table 2 are not allocated to segments:

- *Interest expense* – Represents the interest expense on the remaining debt issued pursuant to the Mackenzie acquisition as well as dividends paid on the outstanding preferred shares. Interest expense on long-term debt totalled $67.6 million in 2007 compared with $67.7 million in 2006. Dividends paid on preferred shares were $20.7 million in both 2007 and 2006.
- *Income taxes* – The effective income tax rate for the year ended December 31, 2007 was 28.7% compared with 29.8% in 2006 as shown in Table 3. The effective income tax rate in both years was impacted by decreases in federal corporate income tax rates and the resulting reduction in the future income tax liability related to indefinite life intangible assets arising from the acquisition of Mackenzie Financial Corporation in 2001. In 2007, the Company recorded a $15.3 million ($0.06 per share) non-cash income tax benefit in the fourth quarter compared with $13.7 million ($0.05 per share) recorded in the second quarter of 2006. This resulted in a 1.23% reduction in the effective income tax rate for both 2007 and 2006. The benefit of the reduction in federal and provincial corporate income tax rates on other operating future income tax assets and liabilities is reflected in the Other items line.

Tax planning may result in the Company recording lower levels of income taxes. Management monitors the status of its income tax filings, and regularly assesses the overall adequacy of its provision for income taxes and, as a result, income taxes recorded in prior years may be adjusted in the current year. Any changes in management's best estimates are reflected in Other items, which also includes, but is not limited to, the effect of lower effective income tax rates on foreign operations.

TABLE 3: EFFECTIVE INCOME TAX RATE

	2007	2006
Income taxes at Canadian federal and provincial statutory rates	**35.18%**	35.44%
Effect of:		
Dividend income	**(0.31)**	(0.15)
Net capital gains and losses	**(0.52)**	(0.75)
Share of earnings of affiliate	**(2.49)**	(2.55)
Preferred dividends paid	**0.60**	0.68
Other items	**(2.55)**	(1.60)
Effective income tax rate before item noted below	**29.91**	31.07
Impact of rate changes on future income taxes related to indefinite life intangible assets	**(1.23)**	(1.23)
Effective income tax rate	**28.68%**	29.84%

SELECTED ANNUAL INFORMATION

Financial information for the three most recently completed years is included in Table 4.

Net Income and Earnings per Share – Table 1 of the MD&A shows the reconciliation of non-GAAP financial results to GAAP results for the three years. Except as noted in the reconciliation in Table 1, variations in net income and total revenues result primarily from changes in total mutual fund assets under management. Average daily mutual fund assets under management by year are shown in Table 4. The impact on earnings and revenues of changes in mutual fund assets under management are discussed in the Review of Segment Operations sections of the MD&A for both Investors Group and Mackenzie.

Dividends per Common Share – Dividends per common share increased by 16% in 2007, 15% in 2006 and 16% in 2005.

TABLE 4: SELECTED ANNUAL INFORMATION

	2007	2006	2005
Consolidated statements of income *($ millions)*			
Fee income	**$ 2,701.0**	$ 2,392.3	$ 2,164.5
Net investment income and other	**194.1**	212.3	183.1
	2,895.1	2,604.6	2,347.6
Operating expenses	**1,658.4**	1,494.6	1,372.2
Income before income taxes and non-controlling interest	**1,236.7**	1,110.0	975.4
Income taxes	**354.7**	331.2	291.5
	882.0	778.8	683.9
Non-controlling interest	**2.9**	2.1	1.5
Net income			
In accordance with GAAP	**$ 879.1**	$ 776.7	$ 682.4
Adjusted net income[(1)]	**$ 863.8**	$ 763.0	$ 682.4
Earnings per share *($)*			
In accordance with GAAP – Basic	**$ 3.32**	$ 2.93	$ 2.58
– Diluted	**$ 3.29**	$ 2.90	$ 2.56
Adjusted earnings per share[(1)]			
– Basic	**$ 3.26**	$ 2.88	$ 2.58
– Diluted	**$ 3.23**	$ 2.85	$ 2.56
Dividends per share *($)*			
Common	**$ 1.78**	$ 1.54	$ 1.34
Preferred	**$ 1.44**	$ 1.44	$ 1.44
Average daily mutual fund assets *($ millions)*	**$ 110,167**	$ 99,015	$ 87,723
Total mutual fund assets under management *($ millions)*	**$ 108,994**	$ 106,987	$ 94,116
Total assets under management[(2)] *($ millions)*	**$ 122,982**	$ 119,364	$ 100,233
Total corporate assets *($ millions)*	**$ 7,859**	$ 7,333	$ 6,807
Total long-term debt *($ millions)*	**$ 1,200**	$ 1,200	$ 1,225
Outstanding common shares *(thousands)*	**264,193**	264,866	264,539

(1) Refer to the Summary of Consolidated Operating Results for an explanation of the Company's use of non-GAAP financial measures.

(2) Total assets under management excludes $2.7 billion of assets sub-advised by Mackenzie on behalf of Investors Group ($2.6 billion at December 31, 2006 and $2.1 billion at December 31, 2005) and is adjusted for $31 million in inter-segment assets ($35 million at December 31, 2006 and at December 31, 2005).

SUMMARY OF QUARTERLY RESULTS

Financial information for the eight most recently completed quarters is included in Table 5. Significant variation in quarterly earnings occurred in both the fourth quarter of 2007 and the second quarter of 2006 due to the $15.3 million and the $13.7 million non-cash income tax benefit recorded by IGM Financial as described earlier in the Summary of Consolidated Operating Results.

Quarterly results are not generally subject to significant seasonal fluctuations because earnings are primarily dependent on the level of mutual fund assets under management. Average daily mutual fund assets under management by quarter are shown in the Summary of Quarterly Results in Table 5. Although mutual fund sales are generally higher in the first quarter of each year as a result of the RSP season, the impact of the higher sales on that quarter's earnings is not considered significant.

TABLE 5: SUMMARY OF QUARTERLY RESULTS

	2007				2006			
	4	3	2	1	4	3	2	1
Consolidated statements of income *($ millions)*								
Fee and net investment income								
Management	**522.1**	**531.6**	**530.5**	**511.8**	493.2	456.5	455.9	452.3
Administration	**90.2**	**90.8**	**84.7**	**83.8**	79.6	77.1	76.5	80.0
Distribution	**66.8**	**64.6**	**61.9**	**62.2**	55.4	54.1	54.9	56.8
Net investment income and other	**42.5**	**43.8**	**44.8**	**63.0**	50.4	55.4	49.3	57.2
Total fee and net investment income	**721.6**	**730.8**	**721.9**	**720.8**	678.6	643.1	636.6	646.3
Operating expenses								
Commission expense	**241.4**	**238.0**	**236.3**	**231.4**	219.0	205.2	206.2	202.4
Non-commission expense	**156.8**	**154.9**	**154.1**	**157.2**	148.0	134.5	141.5	149.4
Interest expense	**22.2**	**22.2**	**22.0**	**21.9**	22.2	22.2	22.1	21.9
Total operating expenses	**420.4**	**415.1**	**412.4**	**410.5**	389.2	361.9	369.8	373.7
Income before undernoted	**301.2**	**315.7**	**309.5**	**310.3**	289.4	281.2	266.8	272.6
Income taxes	**66.3**	**96.5**	**92.8**	**99.1**	89.1	89.6	65.6	86.9
	234.9	**219.2**	**216.7**	**211.2**	200.3	191.6	201.2	185.7
Non-controlling interest	**0.6**	**0.8**	**0.8**	**0.7**	0.7	0.2	0.8	0.4
Net income								
In accordance with GAAP	**234.3**	**218.4**	**215.9**	**210.5**	199.6	191.4	200.4	185.3
Reconciliation of non-GAAP financial measures[(1)] *($ millions)*								
Adjusted net income – non-GAAP measure	**219.0**	**218.4**	**215.9**	**210.5**	199.6	191.4	186.7	185.3
Non-cash income tax benefit	**15.3**	**–**	**–**	**–**	–	–	13.7	–
Net income – in accordance with GAAP	**234.3**	**218.4**	**215.9**	**210.5**	199.6	191.4	200.4	185.3
Earnings per share *(¢)*								
In accordance with GAAP								
– Basic	**89**	**83**	**82**	**79**	75	72	76	70
– Diluted	**88**	**82**	**81**	**79**	75	72	75	69
Adjusted earnings per share[(1)]								
– Basic	**83**	**83**	**82**	**79**	75	72	71	70
– Diluted	**82**	**82**	**81**	**79**	75	72	70	69
Average daily mutual fund assets *($ billions)*	**109.3**	**110.7**	**112.2**	**108.4**	103.2	98.1	97.8	96.9

(1) Refer to the Summary of Consolidated Operating Results for an explanation of the Company's use of non-GAAP financial measures.

Investors Group
Review of the Business

Investors Group's core business provides a broad range of financial and investment planning services to Canadians through its dedicated network of Consultants across the country.

Investors Group earns revenue primarily from:

- Management fees charged to its mutual funds.
- Fees charged to its mutual funds for administrative, trustee and other services.

Fee income is also earned from the distribution of insurance, securities and other financial services. Additional revenue is derived from net investment income and other income, as discussed in the Review of Segment Operating Results.

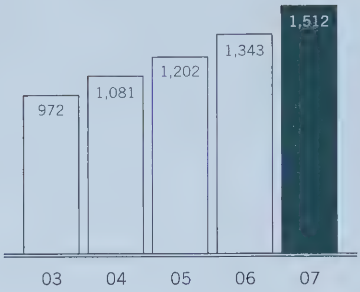
Revenues depend largely on the level and composition of mutual fund assets under management. Our comprehensive approach to financial planning, provided by our Consultants through the broad range of financial products and services offered by Investors Group, has resulted in strong mutual fund sales and a mutual fund redemption rate lower than the industry average. Mutual fund gross sales through our Consultant network increased by 16.8% in 2007 to $7.2 billion. The redemption rate on long-term funds declined to an Investors Group record low of 7.3% for the 12 months ending December 31, 2007, down from 7.9% in 2006. Net sales were $2.2 billion, up from $1.3 billion in 2006, an increase of 60.4%.

INVESTORS GROUP STRATEGY

Investors Group strives to ensure that the interests of shareholders, clients, Consultants and employees are as closely aligned as possible. Investors Group's business approach is focused on:

1. Growing our distribution network through the attraction of new Consultants to our industry and the retention and continued support of existing Consultants.
2. Emphasizing the delivery of financial planning advice, products and services through our dedicated network of Consultants.
3. Extending the diversity and range of products offered by Investors Group as we continue to build and maintain enduring client relationships.
4. Maximizing returns on business investment by:
    - Focusing resources on initiatives that have direct benefits to clients and Consultants.
    - Controlling expenditures and increasing efficiencies through effective working relationships with other members of the Power Financial group of companies.

Fee Income – Investors Group
For the financial year *($ millions)*



CONSULTANT NETWORK

Investors Group distinguishes itself from its competition by offering personal financial planning to its clients within the context of long-term relationships. At the centre of this relationship is a national distribution network of Consultants in 86 regional offices across Canada. Seven regional offices were opened in 2007 as Investors Group continued to build its Consultant network. These regional offices were established in St. Catharines, Pickering, Brantford/Cambridge, North Bay, Central Vancouver Island North, Quebec Lebourgneuf, and Quebec Rive-Sud.

At the end of 2007, Investors Group had 4,331 Consultants, compared with 3,917 at the end of 2006. The number of Consultants with more than four years experience was 2,327 compared to 2,205 a year earlier. Our Consultant network has grown in each of the last 14 consecutive quarters increasing by 1,124 Consultants or 35% since June 30, 2004.

Consultant Development

Investors Group combines a number of interview and testing techniques to identify individuals who demonstrate a blend of experience, education and aptitude that makes them well suited to becoming successful financial planners.

Each year our training curriculum is reviewed and refreshed to offer new Consultants important building blocks to develop client relationships. As Consultants progress, they develop their skills as financial planners and business managers by attending a selection of focused educational programs including: financial planning skills, product knowledge, client service, business development skills, compliance, technology, practice management and other related topics. This core

training is supplemented by annual training conferences where education is tailored to new and experienced Consultants alike.

Field Management Development

As part of Investors Group's commitment to growth, we continued to focus on developing a strong and experienced leadership team across the country. In addition to increasing the number of individuals in field management roles, we also provided additional opportunities for Consultants considering a management role, management training and peer-to-peer coaching.

PRODUCTS AND SERVICES

Investors Group is regarded as a leader in personal financial planning in Canada. Consultants recommend balanced, diversified and professionally managed portfolios that reflect the client's goals, preferences and risk tolerance. They also look beyond investments to offer clients access to insurance products, mortgages and other financial services.

PFP – Personal Financial Planner

Investors Group's Personal Financial Planner (PFP) software handles a wide range of potential financial planning needs – from projections and illustrations for basic financial planning concepts to the preparation of written financial plans which integrate all disciplines of financial planning, including investment, tax, retirement, education, risk management and estate planning.

Symphony Strategic Investment Planning™ Program

Symphony is Investors Group's strategic investment planning approach. Symphony is designed to provide a sophisticated investment discipline, supported by a process that provides a consistent methodology for measuring a client's risk tolerance. Consultants are then able to provide risk-adjusted recommendations using Investors Group's broad offering of funds.

Charitable Giving Program

Investors Group Charitable Giving Program was introduced in the latter part of 2006. This donor-advised giving program enables Canadians to make donations and build an enduring charitable giving legacy with considerably less expense and complexity than setting up and administering their own private foundation.

Mutual Funds

Investors Group had over $60 billion in mutual fund assets under management at December 31, 2007 in 145 mutual funds covering a broad range of investment mandates.

Through our own international team of investment professionals and relationships with external investment advisors, we provide clients with access to a wide range of investment advisory services. Clients can take advantage of the opportunity to diversify their holdings across fund managers, asset categories, investment styles, geography, capitalization and sectors through portfolios customized to meet their objectives.

Investors Group is committed to enhancing the performance, scope and diversity of our investment offering with the introduction of new funds that are well-suited to both the market and the evolving needs of Canadian investors.

- In January 2007, three new dividend growth funds were launched: Investors Canadian Dividend Growth, Investors U.S. Dividend Growth, and Investors European Dividend Growth.
- On July 20, 2007, six fund mergers were completed involving funds with identical or substantially similar investment mandates. The mergers will help facilitate more efficient management of the funds, provide better investment diversification opportunities and, in some instances, result in lower fees.
- On July 23, 2007, Investors Group launched the IG Mackenzie Cundill Global Value Fund and the IG Mackenzie Cundill Global Value Class.
- On November 5, 2007, Investors Group expanded its funds focused on socially responsible investing (SRI) by adding both Investors Summa Global SRI™ Fund and Investors Summa Global Environmental Leaders™ Fund in unit trust and Corporate Class versions and changed the name of the Investors Summa™ Fund to Investors Summa SRI™ Fund.
- In December, Investors Group announced the addition of two new funds, Investors Global Real Estate Fund and Alto Monthly Income and Global Growth Portfolio for launch in January 2008.

Investors Masterseries™ Funds

Investors Masterseries funds are managed by I.G. Investment Management, our own multi-disciplinary team of investment professionals with offices and advisors in North America, Europe, and Asia. Our global connections, depth of research and use of information technology provide us with investment management capabilities that enable us to offer our clients investment management expertise suitable for the widest range of investment objectives. In 2007 we took advantage of our global capability by merging the externally advised IG AGF Asian Growth Fund and Class into the Investors Pacific International Fund and Class advised by our Hong Kong based portfolio management team.

The Investors Masterseries family of funds includes 50 unit trust funds and 31 Corporate Class funds available in multiple series. The 50 unit trust funds include money market, fixed income, balanced, domestic and international equity, global and sector mandates. As at December 31, 2007, total assets related to these unit trust funds and Corporate Class funds were $51.5 billion compared with $49.9 billion in 2006, an increase of 3.2%. Masterseries unit trust funds and Corporate Class funds represented approximately 86% of the total Investors Group mutual fund assets under management, relatively unchanged from a year ago.

At December 31, 2007, 34% of Investors Masterseries mutual funds had four or five star ratings from the Morningstar† fund ranking service and 70% had a rating of three stars or better. This compared to the Morningstar† universe of 31% for four and five star funds and 67% for three stars or better at December 31, 2007. Morningstar† Ratings are an objective, quantitative measure of a fund's three, five and ten year risk-adjusted performance relative to comparable funds.

Partner Funds

Partner funds provide a range of investment disciplines through advisory relationships with other investment management firms. Partner funds are comprised of 22 unit trust funds and 19 Corporate Class funds. Advisory relationships include investment managers such as AGF Funds Inc., Beutel, Goodman & Company, Ltd., Bissett Investment Management (an operating division of Franklin Templeton Investments Corp.), Camlin Asset Management Ltd., Fidelity Investments Canada Limited, Franklin Templeton Investments Corp., Goldman Sachs Asset Management, L.P. and Mackenzie.

Investors Group oversees external investment advisors who are responsible for ensuring that their activities are consistent with Investors Group's investment philosophy and with the stated investment objectives and strategies of the funds that they advise.

At December 31, 2007, partner unit trust funds and Corporate Class funds totalled $8.2 billion or approximately 13% of Investors Group's mutual fund assets under management, compared with $7.7 billion and similar proportion last year. Mackenzie currently provides investment advisory services for twelve of the partner funds with total assets of $2.7 billion.

Managed Asset and Multi-Manager Investment Programs

Investors Group introduced Investors Group Corporate Class Inc., a broad tax advantaged fund structure, in 2002. This group of funds features the ability to switch on a fee-free basis among 50 funds within the group with no immediate tax consequences. The funds include 31 of Investors Group's own Masterseries funds advised by I.G. Investment Management as well as partner funds advised by external investment advisors. By the end of 2007, the Corporate Class funds had attracted $2.5 billion in assets compared with $1.7 billion in 2006.

Investors Group provides clients with access to a growing selection of asset allocation opportunities directed by a number of investment firms. These programs include:

- **Allegro Portfolios**: The seven Allegro Portfolios provide a single step investment solution offering geographic, investment style, asset class, and investment advisor diversification based on Symphony asset allocation recommendations. Fund assets have grown to $2.7 billion as of December 31, 2007 compared with $2.2 billion in the previous year.
- **Alto Portfolios**: The Alto Portfolios provide a single step investment solution offering geographic, investment style and asset class diversification based on Symphony asset allocation recommendations. The ten portfolios include Investors Masterseries funds and Mackenzie partner funds. Assets in the portfolios grew to $1.7 billion as of December 31, 2007 compared with $1.3 billion in 2006.
- **Masterseries™ Portfolios**: These funds have assets of $7.8 billion as at December 31, 2007, compared with $7.9 billion in the previous year. The program is comprised of eight funds which invest in 20 underlying Masterseries funds to provide a high level of diversification.
- ***i*Profile™**: This is a unique portfolio management program introduced in 2001 that is available for clients with assets over $250,000. iProfile investment portfolios have been designed to maximize returns and manage risk by diversifying across asset classes, management styles and geographic regions. The program is advised by a select group of 11 global money management firms such as Goldman Sachs Asset Management, Jarislowsky Fraser Limited, Waddell & Reed, JPMorgan Chase & Co. and I.G. Investment Management, Ltd. At the end of 2007, this program had $556 million in assets, compared with $573 million in the previous year.

Segregated Funds

Investors Group offers 22 segregated funds that are distributed solely by Investors Group Consultants. Our segregated funds provide death benefit guarantees and potential creditor protection. These funds also provide protection from long-term market volatility by providing two levels of guarantees – 75% or 100% of the principal invested. These products are underwritten by The Great-West Life Assurance Company (Great-West Life) and the investment components are managed by Investors Group.

Insurance

Investors Group continues to be a leader in the distribution of life insurance in Canada. Through its arrangements with leading insurance companies, Investors Group offers a broad range of term, universal life, whole life, disability, critical illness, long-term care, personal health care coverage and group insurance. I.G. Insurance Services Inc. currently has distribution agreements with:

- The Canada Life Assurance Company
- The Great-West Life Assurance Company
- Sun Life Assurance Company of Canada
- The Manufacturers Life Insurance Company

Sales of insurance products as measured by new annualized premiums were $39 million. Total face amount of insurance in force in 2007 was $43.7 billion. The average number of policies sold per licensed Consultant was 7.8 in 2007 compared with 8.2 in 2006. Distribution of insurance products is enhanced through insurance specialists throughout Canada who assist Consultants with the selection of insurance solutions.

Securities Operations

Investors Group Securities Inc. is an investment dealer registered in all provinces and territories providing securities services to clients seeking a broader product offering in combination with financial and investment planning. Investors Group Consultants can refer clients to one of our securities specialists available through Investors Group Securities Inc.

At December 31, 2007, total assets under administration were $5.6 billion. The assets gathered during 2007 were $1.2 billion, compared to $1.0 billion in 2006.

In 2007, we continued to evolve the platform we have developed to accommodate holding the individual securities and bonds of our clients. This involved further investment in technology systems and the addition of a number of specialists who are deployed among our regional offices. In addition, a few individuals transitioned their registration to the Investment Dealers Association of Canada. These individuals remain within our regional offices and continue to operate within Investors Group's established business model of a managed asset focus delivered within a financial planning context.

Mortgage Operations

Investors Group Consultants refer clients who are seeking residential mortgages to Investors Group mortgage planning specialists who originate mortgages in key residential markets.

In 2007, Investors Group continued to offer a competitively priced mortgage offering, which was well received by Consultants and clients. The dollar value of mortgage originations increased by 14.2% to $1.1 billion, from $993 million in 2006.

Through its mortgage banking operations, mortgages are sold to third parties, including bank-sponsored securitization trusts, or placed with Investors Mortgage and Short Term Income Fund or Investors Group's intermediary operations. Investors Group also provides the ongoing servicing of these mortgages.

Solutions Banking†

Investors Group's Solutions Banking† initiative continues to experience increased rates of utilization with Consultants and clients. As at December 31, 2007, 92.2% of Investors Group Consultants have incorporated Solutions Banking† into their financial planning practices with one or more products sold.

The offering consists of a wide range of products and services provided by National Bank of Canada under a long-term distribution agreement, and includes: investment loans, lines of credit, personal loans, creditor insurance, deposit accounts and credit cards. Clients have access to a network of banking machines, as well as a private labeled client website and private labeled client service centre.

The Solutions Banking† offering supports Investors Group's approach to delivering total financial solutions for our clients via a broad financial planning platform.

Additional Products and Services

Investors Group also provides its clients with guaranteed investment certificates offered by Investors Group Trust Co. Ltd., as well as a number of other financial institutions.

Review of Segment Operating Results

Investors Group's earnings from operations before interest and taxes for the year ended December 31, 2007 compared with 2006 are presented in Table 6.

TABLE 6: OPERATING RESULTS – INVESTORS GROUP

($ millions)	**2007**	2006	CHANGE
Fee and net investment income			
Management	**$ 1,176.7**	$ 1,046.2	12.5%
Administration	**208.6**	181.4	15.0
Distribution	**127.1**	115.7	9.9
	1,512.4	1,343.3	12.6
Net investment income and other	**126.2**	146.0	(13.6)
	1,638.6	1,489.3	10.0
Operating expenses			
Commissions	**224.0**	186.9	19.9
Asset retention bonus and premium	**236.1**	205.6	14.8
Non-commission	**293.6**	273.9	7.2
	753.7	666.4	13.1
Earnings before interest and taxes	**$ 884.9**	$ 822.9	7.5%

FEE INCOME

Fee income is generated from the management, administration and distribution of 145 Investors Masterseries, partner and managed asset investment funds. The distribution of insurance and banking products and the provision of securities services provide additional fee income.

Total fee income increased by $169.1 million to $1.5 billion, an increase of 12.6% from 2006 and represented 92.3% of gross revenue in 2007, compared with 90.2% in 2006. Fee income is driven primarily by the level and composition of mutual fund assets under management which are influenced by several factors including: sales, redemptions, transfers and investment returns.

For the year ended December 31, 2007, sales of Investors Group mutual funds through its Consultant network were $7.2 billion, an increase of 16.8% from 2006. Mutual fund redemptions, which totalled $5.1 billion for the same period, increased 4.7% from 2006 levels. Investors Group's twelve month trailing redemption rate for long-term funds decreased to a record low of 7.3% at December 31, 2007 from 7.9% at December 31, 2006, and remains well below the corresponding average redemption rate of approximately 14.6% for all other members of the Investment Funds Institute of Canada (IFIC) at December 31, 2007. Net sales of Investors Group mutual funds were $2.2 billion in 2007 compared with net sales of $1.3 billion in 2006, an increase of 60.4%. Sales of long-term funds were $6.0 billion in 2007, compared with $5.2 billion in 2006, an increase of 15.6%. Net sales of long-term funds were $1.7 billion compared to net sales of $1.0 billion in 2006, an increase of 69.4%.

Investors Group's mutual fund assets under management were $60.2 billion at December 31, 2007, an increase of $2.0 billion or 3.4% from December 31, 2006. The increase in assets from December 31, 2006 reflects net sales of mutual funds totalling $2.2 billion and net market depreciation of $180 million. The changes in mutual fund assets under management in 2007 compared with 2006 are reflected in Table 7.

Investors Group earns management fees for investment management services provided to its mutual funds. In 2007, management fee income increased by $130.5 million or 12.5% compared to the increase

TABLE 7: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – INVESTORS GROUP

($ millions)	2007	2006	CHANGE
Sales	**$ 7,229.4**	$ 6,190.1	16.8%
Redemptions	**5,071.1**	4,844.7	4.7
Net sales	**2,158.3**	1,345.4	60.4
Market and income	**(180.2)**	6,169.4	N/M
Net change in assets	**1,978.1**	7,514.8	(73.7)
Beginning assets	**58,215.8**	50,701.0	14.8
Ending assets	**$ 60,193.9**	$ 58,215.8	3.4%
Consists of:			
Investors Masterseries™ funds	**$ 51,487.3**	$ 49,910.3	3.2%
IG Mackenzie partner funds	**2,728.3**	2,564.9	6.4
Partner funds	**5,421.8**	5,167.3	4.9
*i*Profile™ funds	**556.5**	573.3	(2.9)
	$ 60,193.9	$ 58,215.8	3.4%
Average daily assets	**$ 60,328.7**	$ 53,575.5	12.6%

of 12.6% in average daily mutual fund assets in 2007 compared with 2006. Management fee income represented 195 basis points of average daily mutual fund assets in 2007, unchanged from 2006.

Investors Group receives administration fees for providing administrative services to its mutual funds and trusteeship services to its unit trust mutual funds. Administration fees totalled $208.6 million in 2007, up 15.0% from $181.4 million in 2006. The increase relates to increases in fees charged to the funds for administrative services and to increases in trustee fees and other service fees resulting from the growth in average mutual fund assets.

On September 28, 2007, Investors Group's mutual fund investors approved a proposal to establish a fixed rate administration fee for applicable Investors Group mutual funds. Effective October 1, 2007, Investors Group assumed responsibility for the applicable operating expenses of the funds, other than GST and certain specified fund costs, in return for a fixed rate administration fee established for each fund. The results for the year ended December 31, 2007 reflect the new fixed rate administration fee and the additional costs that were previously borne by the funds related to the proposal effective October 1, 2007.

Distribution fees are earned from:

- Redemption fees on mutual funds sold with a back-end load feature.
- Distribution of insurance products through I.G. Insurance Services Inc.
- Securities trading services provided through Investors Group Securities Inc.
- Banking services provided through Solutions Banking†, an arrangement with the National Bank of Canada.

Distribution fee income of $127.1 million in 2007 increased by 9.9% from $115.7 million in 2006. The increase was primarily due to increases in distribution fee income from securities services as well as insurance and banking products. Redemption fee income of $33.5 million in 2007 was unchanged from 2006.

NET INVESTMENT INCOME AND OTHER

Net investment income and other includes interest and dividends earned on cash and cash equivalents, securities and mortgage loans. It also includes gains and losses on the sale of securities, Investors Group's share of earnings of Great-West Lifeco Inc. (GWL), as well as income related to mortgage banking activities. Investors Group reports net investment income as the difference between investment income and interest expense. Interest expense includes interest on deposit liabilities, certificates, bank indebtedness and debt incurred to finance Investors Group's investment in GWL.

Net investment income and other totalled $126.2 million in 2007, a decrease of $19.8 million or 13.6% from $146.0 million in 2006. The decline in net investment income and other in 2007 compared with 2006 was due:

- Primarily to the decrease in net revenues related to the Company's mortgage banking operations. In 2007, the Company recorded non-cash fair value adjustments of $20.0 million to the retained interest receivables related to the bank-sponsored securitization trusts into which it sells a portion of its mortgage originations. Non-cash fair value adjustments due to adverse movement in interest rates totalled $6.8 million. The Company also recorded a non-cash fair value adjustment of $13.2 million during the third quarter of 2007 resulting from higher credit spreads for asset-backed commercial paper structures which increased over historical levels due to unfavourable capital market conditions.
- To increases in Investors Group's share of GWL's earnings and in other income, which were offset by decreases in gains on the sale of securities.

OPERATING EXPENSES

Investors Group incurs commission expense in connection with the distribution of its financial services and products, particularly its mutual funds. Commissions are paid on the sale of these products and will fluctuate with the level of sales. Commission expense in 2007 increased by $37.1 million to $224.0 million from $186.9 million in 2006.

The increase in commission expense was due primarily to:

- Increase in amortization of commissions totalling $25.9 million related to prior years' sales. This increase reflects the impact from the change in estimate, effective April 1, 2001, which increased the term of amortization on mutual fund sales commissions to 72 months.
- Increase in other compensation related to mutual fund operations, insurance, mortgage and banking products due to higher sales.

The asset retention bonus (ARB) and premium (ARP) expenses, which are based on the level of assets under management, are comprised of the following:

- ARB which is paid monthly and is based on the value of assets under management. ARB expense increased by $23.0 million in 2007 to $200.3 million as a result of the increase in assets under management.
- ARP which is a deferred component of compensation designed to promote Consultant retention and is based on assets under management at each year-end. ARP expense in 2007 increased by $7.5 million compared to 2006.

Non-commission expenses increased $19.7 million to $293.6 million in 2007. Non-commission expenses include costs incurred by Investors Group related to the administration, marketing and management of its mutual funds and other products, Consultant network support, as well as other operating expenses. As a result of the implementation of the fixed rate administration fee on October 1, 2007, non-commission expenses now also include additional costs that were previously borne by the mutual funds. Non-commission expense for 2006 also included a reduction in expenses of $4.6 million arising from a change in estimate related to credit losses in the Company's mortgage operations.

Mackenzie
Review of the Business

Mackenzie's core business is the provision of investment advice and related services offered through diversified investment solutions, distributed through the independent financial advisor channels.

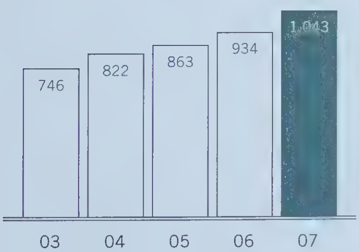
Mackenzie earns revenue primarily from:

- Management fees charged to its mutual funds, sub-advised and institutional accounts.
- Fees charged to its mutual funds for administrative and other services.

Fee income is also earned from the administration of registered and open accounts at M.R.S. Inc. and through deposit, lending and related services at M.R.S.Trust Company.

Revenues depend largely on the value and composition of average assets under management. Our proprietary investment research and team of experienced investment professionals across the sub-brands offered at Mackenzie contribute to delivering consistent long-term investment performance.

Fee Income – Mackenzie
For the financial year *($ millions)*



MACKENZIE STRATEGY

Mackenzie strives to ensure that the interests of shareholders, advisors, investment clients and employees are as closely aligned as possible. Mackenzie's business approach embraces current trends and practices in the global financial services industry and our strategic plan is focused on:

1. The delivery of consistent long-term investment results.
2. Offering a diversified suite of investment solutions for financial advisors and investors.
3. Continuing to build and solidify our distribution relationships.
4. Maximizing returns on business investment by focusing resources on initiatives that have direct benefits to investment management, client service and revenue growth.

Founded in 1967, Mackenzie continues to build an investment advisory business through proprietary investment research and portfolio management while utilizing strategic partners in a selected sub-advisory capacity. Our sales model focuses on the provision of advice through the third party distribution channel.

Mackenzie distributes its investment products and expertise through a sophisticated network of third party financial advisors. Mackenzie's wholesale teams work with many of the more than 30,000 independent financial advisors across Canada. To support sales into institutional and specialty markets, Mackenzie also deploys specialty teams in high net worth, group plans, sub-advisory, structured products and institutional areas.

TABLE 8: CHANGE IN ASSETS UNDER MANAGEMENT – MACKENZIE

($ millions)	2007	2006	CHANGE
Sales	**$ 12,688.4**	$ 11,712.6	8.3%
Redemptions	**11,658.1**	9,479.3	23.0
Net sales	**1,030.3**	2,233.3	(53.9)
Assets acquired	**–**	3,291.7	N/M
Net new money	**1,030.3**	5,525.0	(81.4)
Market and income	**705.9**	6,162.6	(88.5)
Net change in assets	**1,736.2**	11,687.6	(85.1)
Beginning assets	**61,540.5**	49,852.9	23.4
Ending assets	**$ 63,276.7**	$ 61,540.5	2.8%
Consists of:			
Mutual funds	**$ 46,563.4**	$ 46,600.1	(0.1)%
Sub-advisory, institutional and other accounts	**16,713.3**	14,940.4	11.9
	$ 63,276.7	$ 61,540.5	2.8%
Daily average mutual fund assets	**$ 47,587.8**	$ 43,473.9	9.5%
Monthly average total assets(1)	**$ 63,541.4**	$ 54,456.5	16.7%

(1) Based on daily average mutual fund assets and month-end average sub-advisory, institutional and other assets.

ASSETS UNDER MANAGEMENT

Mackenzie's total assets under management at December 31, 2007 were $63.3 billion, an increase of 2.8% from $61.5 billion at December 31, 2006. Mackenzie's mutual fund assets under management were $46.6 billion at December 31, 2007, relatively unchanged from December 31, 2006. Mackenzie's sub-advisory, institutional and other accounts at December 31, 2007 were $16.7 billion, an 11.9% increase from $14.9 billion last year. Monthly average total assets under management, which are generally more indicative of trends in revenue for providing investment management services than the year over year change in ending assets under management, increased to $63.5 billion during 2007, up 16.7% from last year. The changes in assets under management are summarized in Table 8.

In 2007, Mackenzie's gross sales were $12.7 billion, an increase of 8.3% from $11.7 billion in 2006. Redemptions in the current year were $11.7 billion as compared to redemptions of $9.5 billion in 2006.

Redemptions of long-term mutual funds in 2007 were $6.5 billion as compared to redemptions of $6.4 billion in 2006. As at December 31, 2007, Mackenzie's twelve-month trailing redemption rate for long-term funds was 14.1%, as compared to 15.2% last year. The average twelve-month trailing redemption rate for long-term funds for all other members of IFIC declined to approximately 13.9% at December 31, 2007 from 14.8% last year. Mackenzie's twelve-month trailing redemption rate is comprised of the weighted average redemption rate for front-end load assets, deferred sales charge and low load units with redemption fees, and matured deferred sales charge units without redemption fees (matured units). Generally, redemption rates are higher than the average for front-end load units and matured units.

Net sales for the year ended December 31, 2007 were $1.0 billion, as compared to net sales of $2.2 billion last year.

During 2007, net market appreciation resulted in assets increasing by $706 million as compared to an increase of $6.2 billion last year.

On September 22, 2006, Mackenzie acquired the assets of Cundill Investment Research Ltd. and related entities (Cundill Group), resulting in the addition of $3.3 billion to its assets under management as of the acquisition date.

TABLE 9: ASSETS UNDER MANAGEMENT BY INVESTMENT OBJECTIVE – MACKENZIE

($ millions)	2007		2006	
Equity				
Domestic	$ 19,385.6	30.7%	$ 19,829.5	32.2%
Foreign	27,733.8	43.8	25,327.2	41.2
	47,119.4	74.5	45,156.7	73.4
Balanced				
Domestic	9,754.7	15.4	10,838.4	17.6
Foreign	1,793.4	2.8	1,048.8	1.7
	11,548.1	18.2	11,887.2	19.3
Fixed Income				
Domestic	2,715.3	4.3	2,647.3	4.3
Foreign	61.8	0.1	88.0	0.1
	2,777.1	4.4	2,735.3	4.4
Money Market				
Domestic	1,666.5	2.6	1,565.4	2.6
Foreign	165.6	0.3	195.9	0.3
	1,832.1	2.9	1,761.3	2.9
Total	$ 63,276.7	100.0%	$ 61,540.5	100.0%

INSTITUTIONAL AND SUB-ADVISORY BUSINESS

Mackenzie's investment management expertise has attracted investment mandates from a number of institutional clients. Mackenzie has increased its participation in the product platforms of major chartered banks, insurance companies and in the product offerings of Investors Group and other members of the Power Financial group of companies.

Through our relationship with Waddell & Reed, Mackenzie is now investment sub-advisor on the largest actively managed diversified natural resource equity fund in the United States. At December 31, 2007, Mackenzie provided sub-advisory services on $9.3 billion of assets in Waddell & Reed managed mutual funds distributed in the United States.

INVESTMENT MANAGEMENT

Mackenzie's mutual fund assets under management are diversified by investment objective as set out in Table 9. This has proven to be and continues to be a core focus of the organization to develop diversified investment capabilities to satisfy the evolving financial needs of our clients. During the first half of the year, takeover speculation and investor demand for the more economy-sensitive industrial and resource companies buoyed equity markets. However, as credit quality concerns unsettled markets during the second half of the year, the resulting "flight to safety" by investors highlighted the merit of our security selection disciplines. The foreign diversification of our mutual funds had a mixed impact on performance. Many funds benefited from exposure to such strong emerging economies as Brazil and China, while the strength of the Canadian dollar offset solid U.S. stock selection within other portfolios.

Long-term investment performance is a key measure of Mackenzie's ongoing success. At December 31, 2007, 54%, 44% and 41% of Mackenzie's mutual fund assets under management were rated in the top two quartiles for the one, five and ten year time frames, respectively. Mackenzie also monitors its fund performance relative to the ratings it receives on its mutual funds from the Morningstar† fund ranking service. At December 31, 2007, 40% of Mackenzie's mutual fund assets measured by Morningstar† had four or five stars and 66% had a rating of three stars or better.

PRODUCTS

Mackenzie continued its tradition of innovation in 2007, providing additional investment solutions and new services for financial advisors to utilize with clients. New products launched this year included the following:

- On April 16, 2007, two new equity funds were launched: Mackenzie Cundill* Emerging Markets Value Class and Mackenzie Cundill* International Class.
- On July 9, 2007, two global equity income funds were launched: Mackenzie Universal* Global Property Income Fund and Mackenzie Universal* Global Infrastructure Fund.
- On July 24, 2007, Mackenzie added a 6% Series T option to the 20 mutual funds that currently pay an 8% distribution through Series T, allowing investors to choose the income stream that best suits their financial planning needs.
- On August 16, 2007, the Mackenzie Cundill* Global Dividend Fund was launched.
- On September 26, 2007, the MSP* ArMADA Protected Deposit Notes[TM1], Series 7 & 8 were launched.
- On December 4, 2007, the Mackenzie Founders Income & Growth Fund was launched.
- On January 2, 2008, Mackenzie announced that MSP* 2008 Resource Limited Partnership had filed a preliminary prospectus in respect of an initial public offering of limited partnership units.
- On January 14, 2008, Mackenzie launched the Mackenzie Destination+[P] Funds, a new product line designed for investors saving for a specific goal. Three maturity options are available: Mackenzie Destination+[P] 2015 Fund, Mackenzie Destination+[P] 2020 Fund and Mackenzie Destination+[P] 2025 Fund.

TRUST, DEALER AND ADMINISTRATION SERVICES

Mackenzie continues to provide products and services to dealers, financial advisors and their respective clients through its subsidiaries. M.R.S. Trust Company provides an array of loan and deposit products to clients of independent financial advisors including registered and non-registered investment loans, residential mortgages, high-yield deposits and GICs. In addition, M.R.S. Trust provides trustee services to many distribution companies within the Power Financial group of companies. M.R.S. Inc. (MRS) is a carrying dealer service provider to distributors of mutual funds across Canada. MRS serves over 160 dealers and over 12,000 advisors. Clients can hold mutual funds, equities, fixed income securities and other specialty investments in an MRS account. Winfund Software Corp. is one of the larger providers of dealer and advisor software for distributors of mutual funds and segregated funds in Canada.

Review of Segment Operating Results

Mackenzie's earnings from operations before interest and taxes for the year ended December 31, 2007 compared with 2006 are presented in Table 10.

TABLE 10: OPERATING RESULTS – MACKENZIE

($ millions)	2007	2006	CHANGE
Fee and net investment income			
Management	$ 873.8	$ 771.7	13.2%
Administration	139.2	130.6	6.6
Distribution	30.4	31.8	(4.4)
	1,043.4	934.1	11.7
Net investment income and other	19.9	27.1	(26.6)
	1,063.3	961.2	10.6
Operating expenses			
Commissions	164.7	159.8	3.1
Trailer fees	230.6	210.6	9.5
Non-commission	292.9	267.5	9.5
	688.2	637.9	7.9
Earnings before interest and taxes	$ 375.1	$ 323.3	16.0%

FEE AND NET INVESTMENT INCOME

Mackenzie's management fee revenues are earned from services it provides as fund manager to the Mackenzie mutual funds and as investment advisor to sub-advisory and institutional accounts. The majority of Mackenzie's mutual funds are distributed on a retail priced basis. Mackenzie also offers various series of its mutual funds with management fees that are designed for fee-based programs, institutional investors and third party investment programs offered by banks, insurance companies and investment dealers. In these programs, Mackenzie does not pay trailing commissions or selling commissions. At December 31, 2007, there were $7.8 billion of mutual fund assets in these series of funds, as compared to $6.7 billion at December 31, 2006.

Management fees were $873.8 million for the year ended December 31, 2007, an increase of $102.1 million or 13.2% from $771.7 million last year. The increase in management fees was due to the growth in Mackenzie's monthly average total assets under management, offset in part by the change in mix of its assets under management.

Monthly average total assets under management were $63.5 billion in the year ended December 31, 2007 compared to $54.5 billion in 2006, an increase of 16.7%.

Mackenzie's average management fee rate was 137.7 basis points in 2007 compared to 141.7 basis points in 2006. The average management fee rate in the comparative period reflects Mackenzie's acquisition of the Cundill Group on September 22, 2006. The decrease in the average management fee rate as compared to 2006 was due to the higher growth in Mackenzie's institutional accounts and non-retail priced mutual funds relative to the growth in its retail priced mutual funds as institutional assets and non-retail priced mutual funds have lower management fees. In addition, changes in asset mix within Mackenzie's retail priced mutual funds affected average management fee rates.

Administration fees include the following main components:

- Administration fees for providing services to the Mackenzie mutual funds and structured products.
- Asset allocation fees.
- Trustee and other administration fees generated from the MRS account administration business.

Administration fees were $139.2 million for the year ended December 31, 2007, as compared to $130.6 million in 2006. Mackenzie's administration fees for providing administrative services to its mutual funds increased in 2007 as compared to last year.

On August 7, 2007, Mackenzie's mutual fund investors approved a proposal to change the method of charging operating expenses for most retail series of the Mackenzie funds. Effective August 1, 2007, Mackenzie assumed responsibility for the applicable operating expenses of the Mackenzie funds, other than GST and certain specified fund costs, in return for a fixed rate administration fee established for each fund. The results for the year ended December 31, 2007 reflect the new fixed rate administration fee and the additional costs that were previously borne by the funds related to the proposal effective August 1, 2007.

Mackenzie earns distribution fee income on redemptions of mutual fund units sold on a deferred sales charge basis and on a low load basis. Distribution fees charged for deferred sales charge assets range from 5.5% in the first year and decrease to zero after seven years. Distribution fees for low load assets range from 3.0% in the first year and decrease to zero after three years. Distribution fee income in the year ended December 31, 2007 was $30.4 million, a decrease of $1.4 million from $31.8 million last year. Although the total level of redemptions increased in 2007, the decline in distribution fee income was due to the decline in the redemption of units that were subject to a redemption fee.

The primary component of net investment income and other is the net interest margin from M.R.S. Trust Company's lending and deposit-taking operations, and it also includes gains realized at Mackenzie on the disposition of investments in its mutual funds. Net investment income in the year ended December 31, 2007 was $19.9 million, a decrease of $7.2 million from $27.1 million in 2006. Net investment income in 2007 includes a charge recorded on an investment in non-bank sponsored asset-backed commercial paper.

OPERATING EXPENSES

Mackenzie's operating expenses were $688.2 million for the year ended December 31, 2007, an increase of 7.9% from $637.9 million last year.

Mackenzie pays selling commissions to the dealers that sell its mutual funds on a low load and deferred sales charge basis. Commission expense, which represents the amortization of selling commissions, was $164.7 million in the year ended December 31, 2007, as compared to $159.8 million last year. Mackenzie amortizes selling commissions over three years from the date of original purchase of the applicable low load units and over a maximum period of seven years from the date of original purchase of the applicable deferred sales charge units.

Trailing commissions paid to dealers are calculated as a percentage of mutual fund assets under management and vary depending on the fund type and whether the fund was purchased on a front-end, a deferred sales charge or on a low load basis. Trailing commissions are generally not paid on non-retail series of mutual funds and institutional assets. Trailing commissions paid to dealers were $230.6 million in the year ended December 31, 2007, an increase of $20.0 million or 9.5% from $210.6 million last year. The increase in trailing commissions is consistent with the year over year growth in average mutual fund assets under management. Trailing commissions as a percentage of average mutual fund assets under management were 48.5 basis points in 2007 as compared to 48.4 basis points last year.

Non-commission expenses were $292.9 million in the year ended December 31, 2007, an increase of $25.4 million or 9.5% in the current period from $267.5 million last year. Non-commission expenses include costs incurred by Mackenzie related to the administration, marketing and management of its mutual funds, as well as costs incurred in its account administration and trust company businesses. The increase in non-commission expenses is due primarily to Mackenzie's acquisition of the Cundill Group in the third quarter of 2006, an increase in costs in the year related to the distribution and administration of its mutual funds, and additional costs that were previously borne by the funds incurred in the current year as a result of the implementation of the fixed rate administration fee on August 1, 2007.

IGM Financial Inc.
Consolidated Financial Position

IGM Financial's total assets were $7.9 billion at December 31, 2007, compared to $7.3 billion at December 31, 2006.

SECURITIES

The fair value of the Company's securities holdings, net of derivatives classified as fair value hedges, was $706.6 million as at December 31, 2007. This compared to securities holdings, net of derivatives classified as cash flow hedges, of $195.5 million at December 31, 2006. Unrealized gains on the securities portfolio net of derivatives were $23.2 million at December 31, 2007 compared to $53.2 million at December 31, 2006.

The Consolidated Balance Sheet as at December 31, 2006 reflected securities carried at cost totalling $142.3 million. The increase of $554.0 million from December 31, 2006 for Securities reflects the:

- Transitional adjustment required to reflect the securities portfolio at fair value in accordance with the new accounting standards related to Financial Instruments, as disclosed in Note 1 to the Consolidated Financial Statements, of $95.7 million.
- Net change in common shares and investment in proprietary mutual funds of $418.0 million.
- Reclassification of non-bank sponsored asset-backed commercial paper (ABCP) from cash and cash equivalents. At December 31, 2007, fixed income securities of $40.3 million comprise ABCP that was reclassified from Cash and cash equivalents in 2007 based on the Company's assessment of market conditions. The Company reduced the fair value of the ABCP by recording charges of $2.9 million in the third quarter and $7.0 million in the fourth quarter of 2007 which were reflected in the Consolidated Statements of Income.

  On December 23, 2007, the pan-Canadian restructuring committee, consisting of major investors, announced a proposed restructuring of the ABCP which was agreed to in principle by all parties. The approval of the restructuring is subject to votes by all investors and is anticipated to close in March 2008.

  The Company's valuation of the ABCP was based on its assessment of the prevailing conditions at December 31, 2007, including the public statements made by the pan-Canadian restructuring committee that it expects the ABCP will be converted into various long-term floating rate notes. The estimated fair value reflects the allocation of senior, subordinated and sub-prime notes which the Company expects to receive as a result of the proposed restructuring, net of restructuring costs. This allocation is based on the underlying asset composition of the ABCP held. The duration of the notes will be approximately six years which will match the maturity dates of the underlying assets and the cash flows expected to be generated by those assets. The Company estimated the fair value of the senior note component by discounting the expected cash flows at a yield comparable to prevailing market yields and credit spreads available for securities with similar characteristics to those of the restructured senior notes. Fair values of subordinated and sub-prime notes were estimated using observable market inputs from independent pricing sources or by discounted expected cash flows reflecting the Company's best available information, including reference to prevailing market yields on debt instruments in the Canadian market.

  The liquidity crisis in the Canadian market for non-bank sponsored ABCP has not had and is not expected to have a significant impact on the Company's operations or financial condition.

Market Risk Management

IGM Financial adheres to an Investment Policy that outlines the objectives, constraints and parameters relating to its investing activities. This policy prescribes limits around the quality and concentration of investments held by the Company. Management regularly reviews the Company's investments to ensure all activities are in adherence to the Investment Policy, and regularly reviews the portfolio to identify holdings where there has been an other than temporary decline in value. In these circumstances, the carrying amount of the security is written down to recognize the loss. In addition, from time to time the Company manages risk relating to its securities investments by using a variety of derivative financial instruments. Additional information on the Company's utilization of derivative contracts can be found in the Financial Instruments and Other Instruments section of this MD&A and in Notes 1 and 17 of the Consolidated Financial Statements.

LOANS

Loans, including mortgages and personal loans, increased by \$65.2 million to \$553.9 million at December 31, 2007 and represent 7.0% of total assets compared to 6.7% in 2006. Residential mortgage loans related to the Company's mortgage banking operations increased by \$38.2 million. In the Company's deposit operations, personal loans increased by \$48.5 million while residential mortgage loans decreased by \$21.5 million.

Residential mortgage loans originated by Investors Group are funded primarily through sales to third parties, including bank-sponsored securitization trusts, on a fully serviced basis. M.R.S. Trust Company sources mortgage loans through mortgage brokers and personal loans through financial advisors. These loans are funded primarily through the Company's deposit operations and, in certain instances, are sold to third parties (including securitization trusts) on a fully serviced basis.

Credit Risk Management

At December 31, 2007, impaired loans totalled \$1.1 million compared to \$0.4 million at December 31, 2006, and represented 0.21% of the total loan portfolio, compared with 0.09% at December 31, 2006. The general allowance for credit losses was \$7.6 million at December 31, 2007 compared to \$7.7 million in 2006. The Company monitors its credit risk management policies continuously to evaluate their effectiveness. The Company also periodically reviews the credit quality of the loan portfolios and the adequacy of the related general allowance. The allowance for credit losses of \$7.6 million at December 31, 2007 exceeded impaired mortgages and loans by \$6.5 million. As at December 31, 2007, the mortgage portfolios were geographically diverse, 99% residential and 64% insured. These characteristics of the mortgage portfolios at December 31, 2007 were consistent with prior years.

Consolidated Liquidity and Capital Resources

LIQUIDITY

Cash and cash equivalents totalled $1.18 billion at December 31, 2007 compared with $1.33 billion at December 31, 2006.

IGM Financial's operating liquidity is required for:

- Financing ongoing operations, including the funding of selling commissions.
- Temporarily financing mortgages in its mortgage banking facility.
- Meeting regular interest and dividend obligations related to long-term debt and preferred shares.
- Payment of quarterly dividends on its outstanding common shares.
- Maintaining liquidity requirements for regulated entities.
- Financing common share repurchases related to the Company's normal course issuer bid.

In addition, a portion of cash and cash equivalents and loans relate to the Company's deposit operations as shown in Table 11.

A key liquidity requirement for the Company is the funding of commissions paid on the sale of mutual funds. Commissions paid continue to be fully funded through ongoing cash flow from operations.

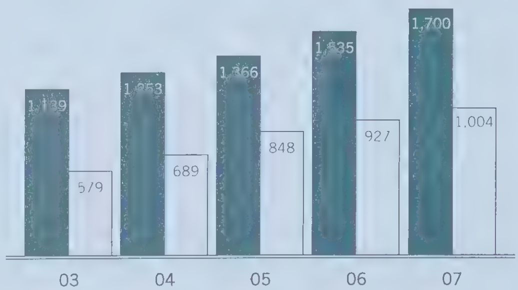
The Company also maintains sufficient liquidity to fund and temporarily hold mortgages. Through its mortgage banking operations, most of the mortgages are sold to third parties, including bank-sponsored securitization trusts, or placed with Investors Mortgage and Short Term Income Fund on a fully serviced basis. In order to effectively manage its overall liquidity, the Company is active in both the whole loan sale and securitization markets. During 2007, whole loan sales to third parties totalled $681.0 million and proceeds from securitizations were $1,286.9 million, compared with $467.0 million and $1,301.5 million respectively in 2006.

IGM Financial continues to generate significant cash flows from its operations. Earnings before interest, taxes, depreciation and amortization (EBITDA) totalled $1,699.5 million for 2007 compared to $1,535.3 million in 2006, and represents an increase of 10.7%.

In addition to IGM Financial's current balance of cash and cash equivalents in excess of the operating liquidity requirements described above, other potential sources of liquidity include the Company's portfolio of securities and lines of credit. The Company maintains uncommitted operating lines of credit totalling $260 million with various Schedule A Canadian chartered banks. As at December 31, 2007, the Company had utilized $99.8 million of its operating lines of credit. IGM Financial's demonstrated ability to raise funds in domestic debt and equity markets is also a source of liquidity. Recent changes in the credit market conditions have not significantly affected the Company's ability to access either the capital and securitization markets or its lines of credit.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

For the financial year *($ millions)*



EBITDA – 2003 excludes dilution gain and restructuring reversal related to Mackenzie. 2004 excludes unitholder compensation costs.

Cash flow available from operations before payment of commissions.

TABLE 11: ASSETS RELATED TO DEPOSIT OPERATIONS

($ millions)	2007	2006	CHANGE
Assets			
Cash and cash equivalents	**$ 519.6**	$ 474.5	9.5%
Loans	**488.4**	464.7	5.1
Total assets	**$ 1,008.0**	$ 939.2	7.3%
Liabilities and Shareholders' Equity			
Deposit liabilities	**$ 856.9**	$ 777.5	10.2%
Other liabilities – net	**35.2**	43.8	(19.6)
Shareholders' equity	**115.9**	117.9	(1.7)
Total liabilities and shareholders' equity	**$ 1,008.0**	$ 939.2	7.3%

TABLE 12: CASH FLOWS

($ millions)	2007	2006	CHANGE
Operating activities			
Before payment of commissions	**$ 1,120.7**	$ 1,032.4	8.6%
Commissions paid	**(347.9)**	(344.7)	(0.9)
Net of commissions paid	**772.8**	687.7	12.4
Financing activities	**(328.8)**	(332.8)	1.2
Investing activities	**(589.2)**	(97.5)	N/M
(Decrease) increase in cash and cash equivalents	**(145.2)**	257.4	N/M
Cash and cash equivalents, beginning of year	**1,325.5**	1,068.1	24.1
Cash and cash equivalents, end of year	**$ 1,180.3**	$ 1,325.5	(11.0)%

Cash Flows

Table 12 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which form part of the Consolidated Financial Statements for the year ended December 31, 2007. Cash and cash equivalents decreased $145.2 million in 2007 compared with an increase of $257.4 million in 2006.

Operating activities, before payment of commissions, generated $1,120.7 million during the year ended December 31, 2007, as compared to $1,032.4 million in 2006. Cash commissions paid were $347.9 million in 2007 compared to $344.7 million in 2006. While mutual fund sales increased approximately 7% in 2007 compared with 2006, commissions paid only increased by 0.9% reflecting an increase in the relative proportion in mutual funds assets purchased on a front-end basis rather than on a deferred sales charge basis. Net cash flows from operating activities, net of commissions paid, was $772.8 million in 2007 as compared to $687.7 million in 2006.

Financing activities during the year ended December 31, 2007 compared to the same period in 2006 related primarily to:

- A net increase of $79.4 million in deposits and certificates in 2007 compared to a net increase of $84.7 million in 2006. The net increase in 2007 related to increases in demand deposits offset in part by decreases in term deposit levels. The net increase in 2006 related primarily to increases in demand deposits.
- The increase in short-term borrowings of $99.8 million in 2007 compared with nil in 2006.
- Proceeds received on the issuance of common shares under the Company's stock option program of $16.8 million in 2007 compared with $13.2 million in 2006.
- The payment of regular common share dividends which increased to $453.3 million in 2007 from $392.5 million in 2006 as a result of increases in the Company's common share dividend rate.
- The purchase of 1,390,600 common shares in 2007 under IGM Financial's normal course issuer bid at a cost of $71.6 million compared with the purchase of 271,700 common shares at a cost of $13.2 million in 2006.

Financing activities in 2006 also included the repayment at maturity of a $25.0 million note payable to Power Financial Corporation on January 16, 2006.

Investing activities during the year ended December 31, 2007 compared to the same period in 2006 related primarily to:

- Purchases of securities totalling $635.1 million and sales of securities with proceeds of $126.8 million in 2007 compared with $68.0 million and $158.0 million, respectively, in 2006.
- Net increases in loans of $1,347.7 million compared to $1,270.1 million in 2006 related primarily to residential mortgages in the Company's mortgage banking operations. The net increase in loans was offset by securitizations of $1,286.9 million in 2007 compared to $1,301.5 million in 2006.

Investing activities in the year ended December 31, 2006 included the acquisition of intangible assets which totalled $140.1 million and $54.1 million of funds held in escrow related to the Cundill Group.

Contractual Obligations

TABLE 13: CONTRACTUAL OBLIGATIONS

As at December 31, 2007 *($ millions)*	TOTAL	LESS THAN 1 YEAR	1–3 YEARS	4–5 YEARS	AFTER 5 YEARS
	PAYMENTS DUE BY PERIOD				
Long-term debt[1]	$ 1,200.0	$ –	$ –	$ 450.0	$ 750.0
Operating leases[2]	237.3	38.2	65.9	40.5	92.7
Total contractual obligations	$ 1,437.3	$ 38.2	$ 65.9	$ 490.5	$ 842.7

(1) Refer to Note 12 of the Consolidated Financial Statements.

(2) Refer to Note 20 of the Consolidated Financial Statements. Includes office space and equipment used in the normal course of business. Lease payments are charged to earnings in the period of use.

INTEREST RATE RISK

The objective of the Company's asset liability management is to control interest rate risk by actively managing its interest rate exposure. The Company manages the re-pricing characteristics of its consolidated assets and liabilities, and as required by regulation, manages interest rate risk on the assets and liabilities of the deposit operations of M.R.S. Trust Company and Investors Group Trust Co. Ltd. As at December 31, 2007, the total gap between one-year deposit assets and liabilities was well within the Company's stated guidelines.

LIQUIDITY REQUIREMENTS

Liquidity requirements for M.R.S. Trust Company and Investors Group Trust Co. Ltd., which engage in financial intermediary activities, are based on policies approved by the investment and conduct review committees of their respective Boards of Directors. As at December 31, 2007, liquidity for both companies was in compliance with these policies.

CAPITAL RESOURCES

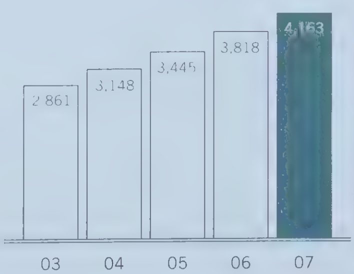
Shareholders' equity increased to $4.2 billion as at December 31, 2007 from $3.8 billion at December 31, 2006. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity and in Note 13 to the Consolidated Financial Statements. Long-term debt of $1.2 billion and preferred shares of $360 million remained at year end 2006 levels.

To achieve its strategic objectives, the Company requires a strong capital base. The Company's capital management objective is to preserve the quality of its financial position by establishing and maintaining a solid capital base and a strong balance sheet.

In the first quarter of 2007, Standard & Poor's (S&P) reviewed their ratings of IGM Financial's senior debt and liabilities. The rating on the Company's senior debt and liabilities was upgraded to "A+" with a stable outlook by S&P, reflecting the continuing quality of the Company's balance sheet and the strength of its operations. In the second quarter of 2007, the Dominion Bond Rating Service (DBRS) confirmed its rating at "A (high)" with a stable outlook.

Shareholders' Equity

As at December 31 *($ millions)*



OFF-BALANCE SHEET ARRANGEMENTS

Securitizations

The Company's liquidity management practices include the periodic sales of mortgages and personal loans to securitization trusts sponsored by third parties that in turn issue securities to investors. The Company retains servicing responsibilities and certain elements of recourse with respect to credit losses on transferred loans. During 2007, the Company entered into securitization transactions with bank-sponsored securitization trusts through its mortgage banking operation with proceeds of $1,286.9 million compared with $1,301.5 million in 2006. Securitized loans serviced at December 31, 2007 totalled $2,233.7 million compared with $1,547.0 million at December 31, 2006. The fair value of the Company's retained interest was $48.0 million at December 31, 2007 and $42.7 million at December 31, 2006. Additional information related to the Company's securitization activities can be found in Notes 1 and 4 of the Consolidated Financial Statements.

Derivative Contracts

On January 1, 2007, in accordance with the new accounting standards related to Financial Instruments, as discussed in Note 1 of the Consolidated Financial Statements, the Company began recording all derivative contracts on the Consolidated Balance Sheet at fair value. Prior to January 1, 2007, derivative contracts designated as hedging items in cash flow hedges were not carried at fair value on the Company's Consolidated Balance Sheet. Additional information related to the Company's derivative contracts can be found in Note 1 of the Consolidated Financial Statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Table 14 presents the carrying value and the fair value of on and off-balance sheet financial instruments.

Fair value is determined using the following methods and assumptions:

- The fair value of short-term financial instruments approximate carrying value. These include cash and cash equivalents, other financial assets, and other financial liabilities.
- Securities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.

TABLE 14: FINANCIAL INSTRUMENTS

	2007		2006	
As at December 31 *($ millions)*	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Assets				
Cash and cash equivalents	**$ 1,180.3**	**$ 1,180.3**	$ 1,325.5	$ 1,325.5
Securities	**696.3**	**696.3**	142.3	238.1
Loans	**553.9**	**551.0**	488.8	488.8
Other financial assets	**259.5**	**259.5**	264.3	264.3
Derivative assets	**14.9**	**14.9**	9.0	9.0
Total financial assets	**$ 2,704.9**	**$ 2,702.0**	$ 2,229.9	$ 2,325.7
Liabilities				
Deposits and certificates	**$ 856.9**	**$ 857.0**	$ 777.5	$ 778.7
Other financial liabilities	**651.1**	**651.1**	527.6	527.6
Derivative liabilities	**23.5**	**23.5**	4.9	4.9
Preferred share liabilities	**360.0**	**391.5**	360.0	403.6
Long-term debt	**1,200.0**	**1,353.0**	1,200.0	1,410.2
Total financial liabilities	**$ 3,091.5**	**$ 3,276.1**	$ 2,870.0	$ 3,125.0
Off-balance sheet derivative instruments	**$ –**	**$ –**	$ –	$ (42.6)

- Loans are valued by discounting the expected future cash flows at market interest rates for loans with similar credit risk and maturity.
- Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.
- Preferred share liabilities are valued using quoted prices from active markets.
- Long-term debt is valued by reference to current market prices for debentures and notes payable with similar terms and risks.
- Derivative financial instruments fair values are based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or net present value analysis.

Details of each component of the financial instruments are contained in the various related notes to the Consolidated Financial Statements.

Changes in both the carrying values and fair values of financial instruments did not have a significant impact on the financial condition of the Company for the year ended December 31, 2007. In addition, there were no significant changes in the risks related to these financial instruments and in the policies and procedures designed to manage these risks during the year.

Derivative Contracts – The Company utilizes derivative financial instruments in the management of interest rate and equity market exposures. The Company does not utilize derivative instruments for speculative purposes. As part of the securitization transactions with bank-sponsored securitization trusts the Company enters into interest rate swaps with the trusts which transfers the interest rate risk to the Company. The Company enters into offsetting interest rate swaps with Schedule I and Schedule II chartered bank counterparties to reduce the impact of fluctuating interest rates. The Company manages its exposure to market risk on its corporate securities portfolio by using a variety of derivative instruments including options and forward contracts. The Company also manages its exposure to fluctuations in the total return of its common shares related to deferred compensation arrangements by entering into total return swaps. All derivative contracts are either exchange-traded or negotiated in the over-the-counter market with Schedule I and Schedule II bank counterparties on a diversified basis. Additional information related to the Company's utilization of derivative contracts can be found in Notes 1 and 17 of the Consolidated Financial Statements. During the year ended December 31, 2007, the Company entered into derivative contracts designated as fair value hedges related to its securities portfolio. Changes in the fair value of the hedging derivative and changes in the fair value of the hedged securities have been reported in the Consolidated Statements of Income. The Company increased the outstanding notional amount of derivative contracts by $2.24 billion to $4.39 billion in 2007. The notional amount of interest rate swaps utilized to manage the Company's exposure to fluctuating interest rates in its mortgage banking operations increased by $2.1 billion in 2007. The exposure to credit risk, which is limited to the current fair value of those instruments which are in a gain position, increased to $15.9 million at December 31, 2007 from $10.4 million at December 31, 2006.

A description of the material risks and management of the risks associated with the various financial instruments are contained in the Consolidated Financial Position, Consolidated Liquidity and Capital Resources, and Financial Instruments and Other Instruments sections in the MD&A.

Outlook

THE FINANCIAL SERVICES ENVIRONMENT

The financial services industry continues to experience growth and change influenced by:

- Continuing growth of the Canadian economy within global economic volatility.
- Shifting demographics as the number of Canadians in their prime savings years continue to increase.
- Changes in investor attitudes and strong preferences to deal through an advisor.
- Changes in the regulatory environment.
- An evolving competitive landscape.
- Advancing and changing technology.

Deregulation, competition and technology have fostered a trend towards financial service providers offering a comprehensive range of products and services in-house. Traditional distinctions between bank branches, full service brokerages, financial planning firms and insurance agent forces are obscured as many of these financial service providers strive to offer comprehensive financial advice implemented through access to a broad product shelf.

The preferred method of retirement planning by Canadians continues to be in the context of a relationship with a financial advisor. Increased investor awareness and sophistication, driven by these advisory relationships, continues to drive a reconfiguration of household balance sheets from short-term financial assets towards longer term financial assets.

Investment funds, which include mutual funds, remain the most popular financial asset class relied upon by Canadians for their retirement savings, and they represent over one-third of Canadian long-term discretionary financial assets. Management believes that investment funds are likely to remain the preferred savings vehicle of Canadians. Investment funds provide investors with the benefits of diversification, professional management, flexibility and convenience, and are available in a broad range of mandates and structures to meet most investor requirements and preferences.

At December 31, 2007, mutual fund industry assets in Canada were $697.2 billion, an increase of 5.6% relative to December 31, 2006. This $37.0 billion increase in industry assets from December 31, 2006 reflected net cashflow of $34.4 billion, an estimated $137 million in investment returns and $2.5 billion in mutual fund assets not previously reported through the Investment Funds Institute of Canada (IFIC).

THE COMPETITIVE LANDSCAPE

IGM Financial and its subsidiaries operate in a highly competitive environment. Investors Group and Investment Planning Counsel compete directly with other retail financial service providers, including other financial planning firms, as well as full service brokerages, banks and insurance companies. Investors Group, Mackenzie and the Counsel Group of Funds compete directly with other investment managers for assets under management, and also compete with other asset classes, including stocks, bonds and other passive investment vehicles, for share of the investment assets of Canadians.

Canadian banks remain a dominant force in Canadian retail financial services. The banks distribute financial products and services through their traditional bank branches, as well as through their full service and discount brokerage subsidiaries. In recent years, bank branches have increased their emphasis on both financial planning and mutual funds. In addition, each of the big six banks has one or more mutual fund management subsidiaries. Collectively, mutual fund assets of the big six bank-owned mutual fund managers and affiliated firms represented 34% of total industry long-term mutual fund assets at December 31, 2007 and accounted for approximately 43% of the industry's long-term mutual fund net sales during 2007, down from 61% in 2006.

Mutual fund dealers and other financial planning firms represent a significant distribution channel for mutual funds in Canada. The last ten years have been characterized by significant consolidation in this sector of the industry, with many of the larger firms being purchased by mutual fund managers and insurers. Management anticipates continuing consolidation in this segment of the industry as smaller participants are acquired by larger organizations.

As a result of this consolidation activity, the Canadian mutual fund management industry is characterized by large, often vertically-integrated, firms. The industry is very concentrated, with the ten largest firms and their subsidiaries representing 77.5% of industry long-term mutual fund assets and 77.7% of total mutual fund assets under management at December 31, 2007.

Management believes scale, access to distribution, and a broad product shelf are key competitive success factors in the financial services industry.

MEETING COMPETITIVE CHALLENGES

Management feels that IGM Financial is well-positioned to meet competitive challenges and capitalize on future opportunities. The Company enjoys several competitive strengths, including:

- Broad and diversified distribution with an emphasis on financial advisors.
- Broad product capabilities, leading brands and quality sub-advisory relationships.
- Enduring client relationships and the long-standing heritages and cultures of its subsidiaries.
- Significant economies of scale.
- Being part of the Power Financial group of companies, which includes Great-West Life, London Life and Canada Life.

Broad and Diversified Distribution

IGM Financial's distribution strength is a competitive advantage. In addition to owning two of Canada's largest financial planning organizations, Investors Group and Investment Planning Counsel, IGM Financial has, through Mackenzie, access to distribution through over 30,000 independent financial advisors. Mackenzie also, in its growing sub-advisory business, partners with Canadian and U.S. manufacturing and distribution complexes to provide investment management to a number of retail investment fund mandates.

Broad Product Capabilities

During 2007, as discussed earlier within the segmented results, IGM Financial's subsidiaries continued to develop and launch innovative products and strategic investment planning tools to assist advisors in building optimized portfolios for clients.

Enduring Relationships

IGM Financial enjoys significant advantages as a result of the enduring relationships that advisors enjoy with clients. In addition, the Company's subsidiaries have strong heritages and cultures which are challenging for competitors to replicate.

Significant Economies of Scale

At December 31, 2007, IGM Financial's total assets under management were $123.0 billion compared with $119.4 billion in 2006, an increase of 3.0%. Included in the Company's total assets under management were mutual fund assets of $109.0 billion at year end 2007 compared to $107.0 billion at year end 2006. IGM Financial enjoys a 15.5% share of industry mutual fund assets under management and has 55% more long-term mutual fund assets than its nearest competitor. This scale provides the Company and its subsidiaries with numerous benefits, including lower unit costs and greater access to capital.

Part of Power Financial Group of Companies

As part of the Power Financial group of companies, IGM Financial benefits through cost savings from shared service arrangements, as well as through access to distribution, products, and capital.

THE REGULATORY ENVIRONMENT

IGM Financial is subject to complex and changing legal, taxation and regulatory requirements, including the requirements of agencies of the federal, provincial and territorial governments in Canada which regulate the Company. The Company's principal regulators are the Canadian Securities Administrators, the Mutual Fund Dealers Association of Canada, the Investment Dealers Association of Canada and the Office of the Superintendent of Financial Institutions. These and other regulatory bodies regularly adopt new laws, rules, regulations and policies that apply to the Company. Regulatory standards affecting the Company and the financial services industry are increasing. The Company's subsidiaries are subject to regular regulatory reviews as part of the normal ongoing process of oversight by the Company's regulators.

Failure to comply with laws, rules or regulations could lead to regulatory sanctions and civil liability, and may have an adverse reputational or financial effect on the Company. The Company manages regulatory risk through its efforts to promote a strong culture of compliance. It monitors regulatory developments and their impact on the Company. It also continues to develop and maintain compliance policies, processes and oversight, including specific communications on compliance and legal matters, training, testing, monitoring and reporting. The Audit Committee of the Company receives regular reporting on compliance initiatives and issues.

The Company supports regulatory efforts that will protect the interests of its clients and preserve the integrity and reputation of the industry and its members.

OTHER RISK FACTORS

Contingencies

The Company is subject to legal actions, including class actions, arising in the normal course of its business. Three class actions related to alleged market timing trading activity in mutual funds of the companies have been commenced. Investors Group entered into settlement agreements in 2004 with a number of its securities regulators in respect of such market timing trading activity. Although it is difficult to predict the outcome of such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

Market Risk

Risks related to performance of the equity markets, changes in interest rates and changes in foreign currencies relative to the Canadian dollar can have a significant impact on the level and mix of mutual fund assets under management and sales. In addition, these factors can result in increased redemptions of mutual funds.

REDEMPTION RATES

Redemption rates for long-term funds are summarized in Table 15.

IGM Financial provides Consultants and independent financial advisors with a high level of service and support and a broad range of investment products – based on asset classes, countries or regions, and investment management styles. These are key advantages in maintaining strong client relationships.

The mutual fund industry and financial advisors are committed to educating Canadian investors on the merits of financial planning, diversification and long-term investing. In periods of volatility our Consultants and independent financial advisors play a key role assisting investors to maintain perspective and focus on their long-term objectives.

Distribution Risk

Investors Group Consultant Network – Investors Group derives all of its mutual fund sales through its Consultant network. Investors Group Consultants have regular direct contact with clients which can lead to a strong and personal client relationship based on the client's confidence in that individual Consultant. The market for financial advisors is extremely competitive. The loss of a significant number of key Consultants could lead to the loss of client accounts which could have an adverse effect on Investors Group's results of operations and business prospects. Investors Group is focused on growing its distribution network of Consultants as discussed further in the Investors Group Review of the Business section of the MD&A.

Mackenzie – Mackenzie derives substantially all of its mutual fund sales through independent financial advisors. Mackenzie's ability to market its products is highly dependent on access to various distribution channels. These intermediaries generally offer their clients investment products in addition to, and in competition with Mackenzie. The inability to have such access could have a material adverse effect on Mackenzie's operating results and business prospects. However, Mackenzie's diverse portfolio of financial products and its long-term investment performance, marketing, educational and service support, has made Mackenzie one of Canada's leading companies serving independent financial advisors. These factors are discussed further in the Mackenzie Review of the Business section of the MD&A.

TABLE 15: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

As at December 31	2007	2006
IGM Financial Inc.		
Investors Group	**7.3%**	7.9%
Mackenzie	**14.1%**	15.2%
Counsel Group of Funds	**9.4%**	9.4%

Accounting Estimates and Policies

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies and to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements. In applying these policies, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies are common in the mutual fund and other financial services industries; others are specific to IGM Financial's businesses and operations. IGM Financial's significant accounting policies are described in detail in Note 1 of the Consolidated Financial Statements.

The major critical accounting estimates and related judgments underlying the Company's financial statements are summarized below. Critical accounting estimates relating to goodwill and intangibles, income taxes and deferred selling commissions relate to both the Investors Group and Mackenzie reportable segments while employee future benefits applies to the Investors Group reportable segment.

- *Goodwill and intangible assets* – Goodwill and indefinite life intangible assets are reflected in Note 7 of the Consolidated Financial Statements. Under the Canadian Institute of Chartered Accountants (CICA) Section 3062 – Goodwill and Other Intangible Assets, the Company is required to test the fair value of goodwill and indefinite life intangible assets for impairment at least once a year. These tests involve the use of estimates and assumptions appropriate in the circumstances. The annual impairment testing was completed for 2007 and management determined that no impairment charge was necessary.
- *Income taxes* –The provision for income taxes is determined on the basis of the anticipated tax treatment of transactions recorded in the Consolidated Statements of Income. The determination of the provision for income taxes requires interpretation of tax legislation in a number of jurisdictions. Tax planning may allow the Company to record lower income taxes in the current year and, as well, income taxes recorded in prior years may be adjusted in the current year to reflect management's best estimates of the overall adequacy of its provisions. Any related tax benefits or changes in management's best estimates are reflected in the provision for income taxes. The recognition of future tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. The amount of the future tax asset or liability recorded is based on management's best estimate of the timing of the realization of the assets or liabilities. If our interpretation of tax legislation differs from that of the tax authorities or if timing of reversals is not as anticipated, the provision for income taxes could increase or decrease in future periods. Additional information related to income taxes is included in the Summary of Consolidated Operating Results and in Note 11 of the Consolidated Financial Statements.
- *Employee future benefits* – Accounting for pension and other post-retirement benefits requires estimates of future returns on plan assets, expected increases in compensation levels, trends in health care costs, as well as the appropriate discount rate for the determination of accrued benefit obligations. These estimates are discussed in Note 10 of the Consolidated Financial Statements.
- *Deferred selling commissions* – Commissions paid on the sale of certain mutual fund products are deferred and amortized over a maximum period of seven years. Prior to April 1, 2001, the maximum period for amortization for Investors Group was three years. On April 1, 2001, Investors Group revised the period of amortization of these expenditures to reflect a more accurate estimate of their useful life. This estimate is also consistent with that used by Mackenzie. The Company regularly reviews the carrying value of the deferred selling commissions with respect to any events or circumstances that indicate impairment or that an adjustment to the amortization period is necessary.

CHANGES IN ACCOUNTING POLICIES

On January 1, 2007, the Company adopted four new accounting standards: CICA 3855, Financial Instruments – Recognition and Measurement, CICA 3865, Hedges, CICA 1530, Comprehensive Income, and CICA 3251, Equity.

These standards require that all financial assets be classified in one of the following categories: available for sale, held to maturity, trading or loans and receivables. The standards require that all financial assets be carried at fair value in the Consolidated Balance Sheets, except loans and receivables including mortgages and securities classified as held to maturity, which are carried at

amortized cost using the effective interest method. Financial liabilities must be classified as either trading, which are carried at fair value, or other than held for trading, which are carried at amortized cost using the effective interest method.

Changes in the fair value of financial assets classified as trading are required to be reported in the Consolidated Statements of Income. Unrealized gains and losses on financial assets that are available for sale are required to be recorded in Other comprehensive income until realized or until the asset is other than temporarily impaired, at which time they are required to be recorded in the Consolidated Statements of Income. All derivatives, including embedded derivatives that must be separately accounted for, must be recorded at fair value in the Consolidated Balance Sheets and the changes in fair value must be recorded in the Consolidated Statements of Income, except as described in the next paragraph for certain hedging derivatives.

Derivative instruments specifically designated as a hedge and meeting the criteria for hedge effectiveness may offset changes in fair values or cash flows of hedged items. A hedge must be designated as a cash flow hedge, fair value hedge, or a hedge of net investments in self-sustaining foreign operations. A fair value hedge requires the change in fair value of the hedging derivative and the change in fair value of the hedged item relating to the hedged risk to both be recorded in the Consolidated Statements of Income. A cash flow hedge requires the change in fair value of the derivative, to the extent effective, to be recorded in Other comprehensive income, which is reclassified to the Consolidated Statements of Income when the hedged transaction impacts earnings. The change in fair value of the ineffective portion of the derivative in a cash flow hedge must be recorded in the Consolidated Statements of Income.

The Consolidated Statements of Comprehensive Income have been included in the Company's financial statements. The Consolidated Statements of Changes in Shareholders' Equity have replaced the Consolidated Statements of Retained Earnings in the Company's financial statements. Unrealized gains and losses on financial assets classified as available for sale, the effective portion of changes in the fair value of cash flow hedging instruments and other comprehensive income amounts, including unrealized foreign currency translation gains and losses related to the Company's investment in its affiliate, are recorded in the Consolidated Statements of Comprehensive Income on a net of tax basis. Accumulated other comprehensive income forms part of Shareholders' equity.

On January 1, 2007, the Company's securities portfolio and funds held in escrow were classified as available for sale. The loans portfolio was classified as loans and receivables and is carried at amortized cost. Long-term debt, preferred share liabilities and deposits and certificates were classified as other than held for trading and are carried at amortized cost.

On January 1, 2007, transitional adjustments were recorded in the opening balance of Accumulated other comprehensive income to recognize the fair value of financial assets classified as available for sale and hedging instruments designated as cash flow hedges. The recognition of the fair value of available for sale securities increased Securities by $95.7 million and increased funds held in escrow included in Other assets by $3.5 million. The recognition of the fair value of derivatives designated as cash flow hedges increased Other liabilities by $42.6 million. Accumulated other comprehensive income increased by $46.3 million on an after tax basis. The foreign currency translation balance of $39.8 million (2006 – $35.2 million) related to the Company's investment in its affiliate has been reclassified from Retained earnings to Accumulated other comprehensive income. Prior periods were not restated except for the reclassification of the foreign currency translation balances. There was no impact to net income on transition as a result of implementation of the standards.

FUTURE ACCOUNTING CHANGES

On January 1, 2008, the Company adopted CICA 1535, Capital Disclosures. This standard requires the disclosure of information related to the objectives, policies and processes for managing capital.

On January 1, 2008, the Company adopted CICA 3862, Financial Instruments – Disclosures. CICA 3862 requires disclosure of information related to the significance of financial instruments to the Company's performance. The Company is also required to disclose information related to the risks of its use of financial instruments and how those risks are managed.

Disclosure Controls and Procedures

Based on their evaluations as of December 31, 2007, the Co-Presidents and Chief Executive Officers and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective in providing reasonable assurance in ensuring that information relating to the Company which is required to be disclosed in reports filed under provincial and territorial securities legislation (a) is recorded, processed, summarized and reported within the time periods specified in the provincial and territorial securities legislation, and (b) is accumulated and communicated to the Company's senior management, including the Co-Presidents and Chief Executive Officers and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Internal Controls Over Financial Reporting

Based on their evaluations as of December 31, 2007, the Co-Presidents and Chief Executive Officers and the Chief Financial Officer have concluded that the Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

During the fourth quarter of 2007, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Other Information

TRANSACTIONS WITH RELATED PARTIES

IGM Financial enters into transactions with Great-West Life, London Life and Canada Life, subsidiaries of its affiliate, GWL. These transactions are in the normal course of business and have been recorded at the agreed upon exchange amounts as described below.

- The Company provided to and received from Great-West Life certain administrative services enabling each organization to take advantage of economies of scale and areas of expertise.
- The Company distributed insurance products under a distribution agreement with Great-West Life and Canada Life and received $31.8 million in distribution fees (2006 – $29.0 million). The Company received $14.2 million (2006 – $13.0 million) related to the provision of sub-advisory services for certain Great-West Life, London Life and Canada Life segregated mutual funds. The Company paid $30.9 million (2006 – $21.0 million) to London Life related to the distribution of certain mutual funds of the Company.
- In order to manage its overall liquidity position, the Company's mortgage banking operation is active in the securitization market and also sells residential mortgage loans to third parties, on a fully serviced basis. During 2007, the Company sold residential mortgage loans to Great-West Life and London Life for $153.7 million compared to $291.4 million in 2006.

For further information on transactions involving related parties, see Notes 5 and 21 of the Consolidated Financial Statements.

OUTSTANDING SHARE DATA

Outstanding common shares of IGM Financial as at December 31, 2007 totalled 264,192,998. As at February 13, 2008, outstanding common shares totalled 264,237,998.

SEDAR

Additional information relating to IGM Financial, including the Company's most recent financial statements and Annual Information Form, is available at www.sedar.com.

Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Management's Responsibility for Financial Reporting

The consolidated financial statements of IGM Financial Inc. and related financial information have been prepared by Management, which is responsible for the integrity, objectivity and reliability of the data presented. This responsibility includes selecting appropriate accounting principles and making judgments and estimates consistent with Canadian generally accepted accounting principles. Financial information presented elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance of the reliability of financial information and the safeguarding of all assets controlled by the Company. These controls and supporting procedures include quality standards in hiring and training employees, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines through the organization. Internal controls are reviewed and evaluated by extensive internal audit programs, which are subject to scrutiny by the shareholders' auditors.

Ultimate responsibility for the consolidated financial statements rests with the Board of Directors. The Board is assisted in discharging this responsibility by an Audit Committee, consisting of directors who are not officers or employees of the Company. This Committee reviews the consolidated financial statements and recommends them for approval by the Board. In addition, the Audit Committee reviews the recommendations of the internal auditor and the shareholders' auditors for improvements in internal control and the action of Management to implement such recommendations. In carrying out its duties and responsibilities, the Committee meets regularly with Management and with both the internal auditor and the shareholders' auditors to review the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged.

Deloitte & Touche LLP, independent auditors appointed by the shareholders, have examined the consolidated financial statements of the Company in accordance with Canadian generally accepted auditing standards, and have expressed their opinion upon the completion of their examination in their Report to the Shareholders. The shareholders' auditors have full and free access to the Audit Committee to discuss their audit and related findings as to the integrity of the Company's financial reporting and the adequacy of the systems of internal control.

Murray J. Taylor
Co-President and Chief Executive Officer

Charles R. Sims
Co-President and Chief Executive Officer

Gregory D. Tretiak
Executive Vice-President, Finance

Auditors' Report

To the Shareholders, IGM Financial Inc.

We have audited the consolidated balance sheets of IGM Financial Inc. as at December 31, 2007 and 2006 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Winnipeg, Manitoba
February 13, 2008

Consolidated Statements of Income

For the years ended December 31 *(in thousands of dollars, except shares and per share amounts)*	2007	2006
Fee and net investment income		
Management	**$ 2,096,032**	$ 1,857,889
Administration	**349,428**	313,245
Distribution	**255,501**	221,164
Net investment income and other	**194,146**	212,300
Total fee and net investment income	**2,895,107**	2,604,598
Operating expenses		
Commission expense	**947,053**	832,794
Non-commission expense	**622,988**	573,399
Interest expense	**88,330**	88,420
Total operating expenses	**1,658,371**	1,494,613
Income before income taxes and non-controlling interest	**1,236,736**	1,109,985
Income taxes *(Note 11)*	**354,682**	331,231
Income before non-controlling interest	**882,054**	778,754
Non-controlling interest	**2,919**	2,064
Net income	**$ 879,135**	$ 776,690
Average number of common shares *(in thousands) (Note 19)*		
– Basic	**264,604**	264,724
– Diluted	**267,303**	267,395
Earnings per share *(in dollars) (Note 19)*		
– Basic	**$ 3.32**	$ 2.93
– Diluted	**$ 3.29**	$ 2.90

(See accompanying notes to consolidated financial statements.)

Consolidated Balance Sheets

As at December 31 *(in thousands of dollars)*	2007	2006
Assets		
Cash and cash equivalents	**$ 1,180,284**	$ 1,325,468
Securities *(Note 2)*	**696,279**	142,322
Loans *(Note 3)*	**553,947**	488,795
Investment in affiliate *(Note 5)*	**560,683**	549,237
Deferred selling commissions	**989,784**	974,070
Other assets *(Note 6)*	**465,089**	439,804
Intangible assets *(Note 7)*	**1,028,731**	1,040,126
Goodwill *(Note 7)*	**2,383,798**	2,372,714
	$ 7,858,595	$ 7,332,536
Liabilities		
Deposits and certificates *(Note 8)*	**$ 856,895**	$ 777,505
Other liabilities *(Note 9)*	**863,961**	735,297
Future income taxes *(Note 11)*	**414,756**	442,061
Long-term debt *(Note 12)*	**1,200,000**	1,200,000
Preferred shares *(Note 13)*	**360,000**	360,000
	3,695,612	3,514,863
Shareholders' Equity		
Common shares *(Note 13)*	**1,504,290**	1,493,954
Contributed surplus	**22,175**	15,339
Retained earnings	**2,678,618**	2,348,157
Accumulated other comprehensive loss	**(42,100)**	(39,777)
	4,162,983	3,817,673
	$ 7,858,595	$ 7,332,536

(See accompanying notes to consolidated financial statements.)

On behalf of the Board

Murray J. Taylor
Director

Donald F. Mazankowski
Director

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31 *(in thousands of dollars)*	2007	2006
Common shares *(Note 13)*		
Balance, beginning of year	**$ 1,493,954**	$ 1,481,519
Issued under stock option plan	**18,229**	13,963
Purchased for cancellation	**(7,893)**	(1,528)
Balance, end of year	**1,504,290**	1,493,954
Contributed surplus		
Balance, beginning of year	**15,339**	9,213
Stock options		
Current period expense	**8,249**	6,906
Exercised	**(1,413)**	(780)
Balance, end of year	**22,175**	15,339
Retained earnings		
Balance, beginning of year		
As previously reported	**2,308,380**	1,954,391
Reclassification to accumulated other comprehensive income *(Note 1)*	**39,777**	35,205
As restated	**2,348,157**	1,989,596
Net income	**879,135**	776,690
Common dividends	**(469,545)**	(406,478)
Common share cancellation excess and other *(Note 13)*	**(79,129)**	(11,651)
Balance, end of year	**2,678,618**	2,348,157
Accumulated other comprehensive income (loss) *(Note 14)*		
Balance, beginning of year	**(39,777)**	(35,205)
Change in accounting policy *(Note 1)*	**46,339**	–
Other comprehensive loss	**(48,662)**	(4,572)
Balance, end of year	**(42,100)**	(39,777)
Total Shareholders' Equity	**$ 4,162,983**	$ 3,817,673

(See accompanying notes to consolidated financial statements.)

Consolidated Statements of Comprehensive Income

For the years ended December 31 *(in thousands of dollars)*	2007	2006
Net income	**$ 879,135**	$ 776,690
Other comprehensive income (loss), net of tax *(Note 14)*		
Net unrealized gains (losses) on available for sale securities:		
Unrealized gains (losses)	**1,273**	–
Reclassification adjustment for (gains) losses included in net income	**(64,313)**	–
	(63,040)	–
Net unrealized gains (losses) on cash flow hedges		
Unrealized gains (losses)	**1,952**	–
Reclassification adjustment for (gain) loss included in net income	**33,083**	–
	35,035	–
Other comprehensive loss (OCL) related to investment in affiliate and other	**(20,657)**	(4,572)
Other comprehensive loss	**(48,662)**	(4,572)
Comprehensive income	**$ 830,473**	$ 772,118

(See accompanying notes to consolidated financial statements.)

Consolidated Statements of Cash Flows

For the years ended December 31 *(in thousands of dollars)*	2007	2006
Operating activities		
Net income	$ 879,135	$ 776,690
Adjustments to determine net cash from operating activities		
Future income taxes	(31,690)	(6,993)
Commission amortization	332,184	298,631
Amortization of capital and intangible assets	25,699	21,665
Changes in operating assets and liabilities and other	(84,616)	(57,548)
	1,120,712	1,032,445
Commissions paid	(347,898)	(344,743)
	772,814	687,702
Financing activities		
Net increase in deposits and certificates	79,390	84,735
Increase in short-term borrowings	99,845	–
Repayment of long-term debt	–	(25,010)
Issue of common shares	16,816	13,184
Common dividends paid	(453,300)	(392,460)
Common shares purchased for cancellation	(71,574)	(13,216)
	(328,823)	(332,767)
Investing activities		
Purchase of securities	(635,133)	(67,968)
Proceeds from the sale of securities	126,835	157,991
Net increase in loans	(1,347,710)	(1,270,143)
Proceeds from securitizations *(Note 4)*	1,286,900	1,301,543
Net additions to capital assets	(19,594)	(23,716)
Acquisition of intangible assets	–	(140,100)
Funds held in escrow *(Note 6)*	–	(54,077)
Other	(473)	(1,058)
	(589,175)	(97,528)
(Decrease) increase in cash and cash equivalents	(145,184)	257,407
Cash and cash equivalents, beginning of year	1,325,468	1,068,061
Cash and cash equivalents, end of year	$ 1,180,284	$ 1,325,468
Cash	$ 123,649	$ 154,050
Cash equivalents	1,056,635	1,171,418
	$ 1,180,284	$ 1,325,468
Supplemental disclosure of cash flow information		
Amount of interest paid during the year	$ 131,901	$ 126,408
Amount of income taxes paid during the year	$ 392,396	$ 276,444

(See accompanying notes to consolidated financial statements.)

Notes to Consolidated Financial Statements

DECEMBER 31, 2007 AND 2006 *(In thousands of dollars, except shares and per share amounts)*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements of IGM Financial Inc. (Company) have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements. Key components of the financial statements requiring management to make estimates include goodwill, intangible assets, income taxes, deferred selling commissions and employee future benefits. Actual results may differ from such estimates.

Basis of consolidation

The Consolidated Financial Statements include the accounts of the Company and all subsidiaries on a consolidated basis after elimination of intercompany transactions and balances.

The equity method is used to account for the Company's investment in Great-West Lifeco Inc. (Lifeco), an affiliated company. Both companies are controlled by Power Financial Corporation.

There are no variable interest entities requiring consolidation under Accounting Guideline 15 – Consolidation of Variable Interest Entities, except with respect to the Company's share purchase plan compensation trust. The Company is considered the primary beneficiary of the share purchase plan compensation trust. However, the consolidation of this trust does not have a significant impact as both the assets (IGM Financial Inc. shares) and the liabilities (the obligation to deliver IGM Financial Inc. shares to the participants) of the trust offset each other in the Common Shares section of the Consolidated Balance Sheets.

Changes in accounting policies – financial instruments

On January 1, 2007, the Company adopted four new accounting standards: CICA 3855, Financial Instruments – Recognition and Measurement, CICA 3865, Hedges, CICA 1530, Comprehensive Income, and CICA 3251, Equity.

These standards require that all financial assets be classified in one of the following categories: available for sale, held to maturity, trading or loans and receivables. The standards require that all financial assets be carried at fair value in the Consolidated Balance Sheets, except loans and receivables including mortgages and securities classified as held to maturity, which are carried at amortized cost using the effective interest method. Financial liabilities must be classified as either trading, which are carried at fair value, or other than held for trading, which are carried at amortized cost using the effective interest method.

The Consolidated Statements of Comprehensive Income have been included in the Company's financial statements. The Consolidated Statements of Changes in Shareholders' Equity have replaced the Consolidated Statements of Retained Earnings in the Company's financial statements. Unrealized gains and losses on financial assets classified as available for sale, the effective portion of changes in the fair value of cash flow hedging instruments and other comprehensive income amounts, including unrealized foreign currency translation gains and losses related to the Company's investment in its affiliate, are recorded in the Consolidated Statements of Comprehensive Income on a net of tax basis. Accumulated other comprehensive income forms part of Shareholders' equity.

On January 1, 2007, the Company's securities portfolio and funds held in escrow were classified as available for sale. The loans portfolio was classified as loans and receivables and is carried at amortized cost. Long-term debt, preferred share liabilities, and deposits and certificates were classified as other than held for trading and are carried at amortized cost.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Changes in accounting policies – financial instruments *(continued)*

On January 1, 2007, transitional adjustments were recorded in the opening balance of Accumulated other comprehensive income to recognize the fair value of financial assets classified as available for sale and hedging instruments designated as cash flow hedges. The recognition of the fair value of available for sale securities increased Securities by $95.7 million and increased funds held in escrow included in Other assets by $3.5 million. The recognition of the fair value of derivatives designated as cash flow hedges increased Other liabilities by $42.6 million. Accumulated other comprehensive income increased by $46.3 million on an after tax basis. The foreign currency translation balance of $39.8 million (2006 – $35.2 million) related to the Company's investment in its affiliate has been reclassified from Retained earnings to Accumulated other comprehensive income. Prior periods were not restated except for the reclassification of the foreign currency translation balances. There was no impact to net income on transition as a result of implementation of the standards. The transitional provisions of the financial instruments standards require that prior periods are not restated with the exception of cumulative translation balances. This results in all derivative instruments, securities and funds held in escrow being recorded at fair value on the balance sheet beginning January 1, 2007.

Revenue recognition

Management fees are based on the net asset value of mutual fund assets under management and are recognized on an accrual basis when the service is performed. Administration fees are also recognized on an accrual basis when the service is performed. Distribution revenue derived from mutual fund and securities transactions are recognized on a trade date basis. Distribution revenue derived from insurance and other financial services transactions are recognized on an accrual basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash and temporary investments consisting of highly liquid investments with short-term maturities. Interest income is recorded on an accrual basis in Net investment income and other in the Consolidated Statements of Income.

Securities

Investment securities, which are recorded on a trade date basis, are classified as available for sale and comprise equity securities held for long-term investment, debt securities and investments in proprietary mutual funds. Realized gains and losses on disposal of investment securities, together with dividends declared, are recorded in Net investment income and other in the Consolidated Statements of Income. Unrealized gains and losses on securities designated as part of a fair value hedging relationship are recorded in Net investment income and other in the Consolidated Statements of Income. Unrealized gains and losses on securities not designated as part of a hedging relationship or on securities designated as part of a cash flow hedging relationship are recorded in Other comprehensive income until realized or until the securities are other than temporarily impaired, at which time they are recorded in the Consolidated Statements of Income.

Loans

Loans are classified as loans and receivables and are carried at amortized cost plus accrued interest less an allowance for credit losses. Interest income is accounted for on the accrual basis for all loans other than impaired loans and is recorded in Net investment income and other in the Consolidated Statements of Income.

A loan is classified as impaired when, in the opinion of management, there no longer is reasonable assurance of the timely collection of the full amount of principal and interest. A loan is also classified as impaired when interest or principal is contractually past due 90 days, except in circumstances where management has determined that the collectibility of principal and interest is not in doubt. Once a loan is classified as impaired, any accrued and unpaid interest income is reversed and charged against interest income in the current period. Thereafter interest income is recognized on a cash basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Loans *(continued)*

The Company maintains an allowance for credit losses which is considered adequate by management to absorb all credit related losses in its portfolio. Specific allowances are established as a result of reviews of individual loans. There is a second category of allowance, the designated general allowance, which is allocated against sectors rather than specifically against individual loans. This allowance is established where a prudent assessment by management suggests that losses have occurred but where such losses cannot yet be identified on an individual loan basis.

Securitizations

The Company periodically sells mortgages to bank-sponsored securitization trusts that in turn issue securities to investors. The Company retains servicing responsibilities and certain elements of recourse with respect to credit losses on transferred loans. The Company also sells NHA-insured mortgages through the issuance of mortgage-backed securities.

Transfers of loans are accounted for as sales provided that control over the transferred loans has been surrendered and consideration other than beneficial interests in the transferred loans has been received in exchange. The loans are removed from the Consolidated Balance Sheets and a gain or loss is recognized in income immediately based on the carrying value of the loans transferred. The carrying value is allocated between the assets transferred and the retained interests in proportion to their fair values at the date of transfer. To obtain the fair value of the Company's retained interests, quoted market prices are used if available. However, since quotes are generally not available for retained interests, the estimated fair value is based on the present value of future expected cash flows using management's best estimates of key assumptions such as prepayment rates, excess spread, expected credit losses and discount rates commensurate with the risks involved. Retained interests are classified as held for trading and any realized or unrealized gains and losses are recorded in Net investment income and other in the Consolidated Statements of Income. The Company continues to service the loans transferred. As a result, a servicing liability is recognized and amortized over the expected term of the transferred loans as servicing fees.

For all sales of loans, the gains or losses and the servicing fee revenue are reported in Net investment income and other in the Consolidated Statements of Income. The retained interests in the securitized loans are recorded in Other assets and the servicing liability is recorded in Other liabilities on the Consolidated Balance Sheets.

Deferred selling commissions

Commissions paid on the sale of certain mutual funds are deferred and amortized over a maximum period of seven years. Commissions paid on the sale of deposits are deferred and amortized over a maximum amortization period of five years.

Capital assets

Capital assets, which are included in Other assets, are recorded at cost of $311.5 million (2006 – $292.2 million), less accumulated amortization of $227.6 million (2006 – $210.8 million). The building and related equipment and furnishings are amortized on a straight-line basis over their estimated useful lives, which range from 2 to 7 years for equipment and furnishings and 50 years for the building.

Goodwill and intangible assets

Goodwill and intangible assets with indefinite lives are reviewed at least annually for impairment using a fair value test and written down for impairment losses if necessary. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives, not exceeding a period of 20 years. The Company tests intangible assets with a finite life for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. The Company writes down the assets to fair value when the related undiscounted cash flows are not expected to allow for recovery of the carrying value.

The Company has completed its annual impairment testing on goodwill, indefinite life intangible assets and finite life intangible assets and has determined that no impairment charge was necessary.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee future benefits

The Company maintains a number of employee future benefit plans. These plans include a funded defined benefit pension plan for all eligible employees, an unfunded supplementary executive retirement plan (SERP) for certain executive officers, and an unfunded post-retirement health care and life insurance plan for eligible retirees.

The defined benefit pension plan provides pensions based on length of service and final average earnings. An actuarial valuation is performed for funding purposes every three years. The most recent actuarial valuation was completed as at December 31, 2004 and the next required valuation will be completed based on a measurement date of December 31, 2007.

The cost of pension and other post-retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service based upon management's assumptions about the expected long-term rate of return on plan assets, discount rates, compensation increases, retirement ages of employees, mortality and expected health care costs. The discount rate used to value liabilities is based on market rates at the measurement date. Plan assets are valued at fair value for purposes of calculating the expected long-term rate of return. The defined benefit pension plan is invested in proprietary equity, balanced and fixed income mutual funds.

Benefit expense or income, which is included in Non-commission expense, includes the cost of pension or other post-retirement benefits provided in respect of the current year's service, interest cost on the accrued benefit liability, the expected return on plan assets and the amortization of actuarial gains or losses. Actuarial gains or losses with respect to the defined benefit pension plan are amortized over the expected average remaining service life of employees. Actuarial gains or losses with respect to the SERP are amortized over the expected remaining life of the members of the plan. These periods range from 11 to 18 years for the various benefit plans.

The accrued benefit asset or liability represents the cumulative difference between the expense and funding contributions and is included in Other assets or Other liabilities.

Stock-based compensation and other stock-based payments

The Company uses the fair value based method to account for stock options granted to employees. The fair value of stock options is determined on each grant date. Compensation expense is recognized over the period that the stock options vest, with a corresponding increase in Contributed surplus. When stock options are exercised, the proceeds together with the amount recorded in Contributed surplus are added to Share capital.

Income taxes

The Company follows the liability method in accounting for income taxes whereby future income tax assets and liabilities reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are measured based on the enacted or substantively enacted tax rates which are anticipated to be in effect when the temporary differences are expected to reverse.

Preferred share liabilities

The preferred shares, which can be settled at the Company's option by issuing a variable number of its own equity instruments, are classified as other liabilities. Preferred dividends are recorded in Interest expense in the Consolidated Statements of Income.

Earnings per share

Basic earnings per share is determined by dividing Net income by the average number of common shares outstanding for the year. Diluted earnings per share is determined using the same method as basic earnings per share except that the average number of common shares outstanding includes the potential dilutive effect of outstanding stock options granted by the Company as determined by the treasury method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments

Derivative financial instruments are utilized by the Company in the management of equity market and interest rate exposures. The Company does not utilize derivative financial instruments for speculative purposes.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the Consolidated Balance Sheets or to anticipated future transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivative financial instruments are recorded at fair value in the Consolidated Balance Sheets and the changes in fair value are recorded in the Consolidated Statements of Income, except as described above for certain hedging derivatives.

The Company manages its exposure to market risk on its securities portfolio by either entering into forward sale contracts, purchasing a put option or by simultaneously purchasing a put option and writing a call option on the same security. Derivative instruments specifically designated as a hedge and meeting the criteria for hedge effectiveness offset the changes in fair values or cash flows of hedged items. A hedge must be designated as a cash flow hedge, fair value hedge, or a hedge of a net investment in self-sustaining foreign operations. A fair value hedge requires the change in fair value of the hedging derivative and the change in fair value of the hedged item relating to the hedged risk to both be recorded in the Consolidated Statements of Income. A cash flow hedge requires the change in fair value of the derivative, to the extent effective, to be recorded in Other comprehensive income, which is reclassified to the Consolidated Statements of Income when the hedged transaction impacts earnings. The change in fair value of the ineffective portion of the derivative in a cash flow hedge must be recorded in the Consolidated Statements of Income.

The Company enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its mortgage banking and intermediary operations. These swap agreements require the periodic exchange of net interest payments without the exchange of the notional principal amount on which the payments are based. Changes in fair value are recorded in Net investment income and other in the Consolidated Statements of Income.

The Company also enters into total return swaps to manage its exposure to fluctuations in the total return of its common shares related to deferred compensation arrangements. These swap agreements require the periodic exchange of net contractual payments without the exchange of the notional principal amounts on which the payments are based. These instruments are not designated as hedges. Changes in fair value are recorded in Non-commission expense in the Consolidated Statements of Income.

Non-qualifying derivatives or derivatives not designated as hedges continue to be utilized on a basis consistent with the risk management policies of the Company and are monitored by the Company for effectiveness as economic hedges even if specific hedge accounting requirements are not met.

Future accounting changes

On January 1, 2008, the Company will adopt CICA 1535, Capital Disclosures. This standard requires the disclosure of information related to the objectives, policies and processes for managing capital.

On January 1, 2008, the Company will adopt CICA 3862, Financial Instruments – Disclosures and CICA 3863, Financial Instruments – Presentation, replacing CICA 3861. CICA 3862 requires disclosure of information related to the significance of financial instruments to the Company's financial position and performance. The Company is also required to disclose information related to the risks arising from its use of financial instruments and how those risks are managed. CICA 3863 carries forward unchanged the presentation requirements of CICA 3861 with respect to financial instruments.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

2. SECURITIES

	2007		2006	
	COST	FAIR VALUE	COST	FAIR VALUE
Common shares	**$ 614,102**	**$ 626,719**	$ 120,084	$ 212,554
Investments in proprietary mutual funds	**26,981**	**29,269**	22,238	25,496
Fixed income securities	**40,291**	**40,291**	–	–
	$ 681,374	**$ 696,279**	$ 142,322	$ 238,050

Fixed income securities of $40.3 million comprise non-bank sponsored asset-backed commercial paper (ABCP) that was reclassified from Cash and cash equivalents in 2007 based on the Company's assessment of market conditions. The Company reduced the fair value of the ABCP by recording charges of $2.9 million in the third quarter and $7.0 million in the fourth quarter of 2007 which were reflected in the Consolidated Statements of Income.

On December 23, 2007, the pan-Canadian restructuring committee, consisting of major investors, announced a proposed restructuring of the ABCP which was agreed to in principle by all parties. The approval of the restructuring is subject to votes by all investors and is anticipated to close in March 2008.

The Company's valuation of the ABCP was based on its assessment of the prevailing conditions at December 31, 2007, including the public statements made by the pan-Canadian restructuring committee that it expects the ABCP will be converted into various long-term floating rate notes. The estimated fair value reflects the allocation of senior, subordinated and sub-prime notes which the Company expects to receive as a result of the proposed restructuring, net of restructuring costs. This allocation is based on the underlying asset composition of the ABCP held. The duration of the notes will be approximately six years which will match the maturity dates of the underlying assets and the cash flows expected to be generated by those assets. The Company estimated the fair value of the senior note component by discounting the expected cash flows at a yield comparable to prevailing market yields and credit spreads available for securities with similar characteristics to those of the restructured senior notes. Fair values of subordinated and sub-prime notes were estimated using observable market inputs from independent pricing sources or by discounted expected cash flows reflecting the Company's best available information, including reference to prevailing market yields on debt instruments in the Canadian market.

The liquidity crisis in the Canadian market for non-bank sponsored ABCP has not had and is not expected to have a significant impact on the Company's operations or financial condition.

3. LOANS

	TERM TO MATURITY				
	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	2007 TOTAL	2006 TOTAL
Residential mortgages	$ 98,713	$ 149,123	$ 3,949	$ 251,785	$ 235,129
Commercial mortgages	–	891	–	891	963
	98,713	150,014	3,949	252,676	236,092
Personal loans	272,498	17,479	18,925	308,902	260,431
	$ 371,211	$ 167,493	$ 22,874	561,578	496,523
Less: General allowance				7,631	7,728
				$ 553,947	$ 488,795
Impaired loans included above				$ 1,159	$ 417
Less: General allowance				7,631	7,728
				$ (6,472)	$ (7,311)
The change in the allowance for credit losses is as follows:					
Balance, beginning of year				$ 7,728	$ 8,198
Write-offs				(144)	(208)
Recoveries				105	199
Reversal of provision for credit losses				(58)	(461)
Balance, end of year				$ 7,631	$ 7,728

4. SECURITIZATIONS

During the year, the Company securitized $1,298.5 million (2006 – $1,311.1 million) of residential mortgages through bank-sponsored securitization trusts and received net cash proceeds of $1,286.9 million (2006 – $1,301.5 million). A pre-tax gain on sale of $4.5 million (2006 – $5.0 million) was recognized and reported in Net investment income and other in the Consolidated Statements of Income.

The Company's retained interest in the securitized loans includes cash reserve accounts and rights to future excess spread. This retained interest is subordinated to the interests of the related bank-sponsored securitization trusts (CP conduits) and mortgage-backed securities (MBS) holders (the Purchasers). The Purchasers do not have recourse to the Company's other assets for any failure of the borrowers to pay when due.

The key economic assumptions used to value the retained interests at the date of securitization issuances for bank-sponsored securitization trusts transactions completed during 2007 and 2006 were as follows:

	2007	2006
Weighted-average		
Remaining service life *(in years)*	4.3	3.9
Excess spread	0.51%	0.51%
Prepayment rate	15.00%	15.00%
Discount rate	5.11%	4.99%
Servicing fees	0.25%	0.25%
Expected credit losses	0.01%	0.01%

4. SECURITIZATIONS *(continued)*

At December 31, 2007, the fair value of the total retained interests was $48.0 million (2006 – $42.7 million). The sensitivity to immediate 10% or 20% adverse changes to key assumptions was considered to be immaterial.

The total loans reported on the Company's Consolidated Balance Sheets, the securitized loans serviced by the Company, as well as cash flows related to securitization arrangements are as follows:

	2007	2006
Mortgages	$ 2,469,280	$ 1,761,342
Personal loans	318,412	274,446
	2,787,692	2,035,788
Less: Securitized loans serviced	2,233,745	1,546,993
Total on-balance sheet loans	$ 553,947	$ 488,795
Proceeds from new securitizations	$ 1,286,900	$ 1,301,543
Cash flows received on retained interests	$ 12,661	$ 7,025

5. INVESTMENT IN AFFILIATE

	2007	2006
Carrying value, beginning of year	$ 549,237	$ 509,721
Share of earnings	87,069	79,099
Dividends	(40,055)	(35,048)
Share of accumulated other comprehensive loss and other adjustments	(35,568)	(4,535)
Carrying value, end of year	$ 560,683	$ 549,237
Share of equity, end of year	$ 419,621	$ 408,213
Fair value, end of year	$ 1,340,696	$ 1,277,214

The Company currently holds 37,787,388 (2006 – 37,787,388) shares of Lifeco, which represents an equity interest of 4.2% (2006 – 4.2%). The Company's share of its affiliate's earnings is recorded in Net investment income and other in the Consolidated Statements of Income.

6. OTHER ASSETS

	2007	2006
Accounts and other receivables	$ 205,405	$ 210,199
Capital assets	83,865	81,441
Funds held in escrow	54,119	54,077
Accrued benefit asset *(Note 10)*	45,524	43,257
Deferred and prepaid expenses	56,375	37,509
Derivative instruments	14,897	8,978
Other	4,904	4,343
	$ 465,089	$ 439,804

7. GOODWILL AND INTANGIBLE ASSETS

During the third quarter of 2006, Mackenzie Financial Corporation, a subsidiary of IGM Financial Inc., purchased the assets of Cundill Investment Research Ltd. and related entities ("Cundill Group"). In 2007, the purchase price was allocated to indefinite-life and finite-life intangible assets and goodwill.

The changes in the carrying amount of goodwill are as follows:

2007	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Balance, beginning of year	$ 1,347,781	$ 943,550	$ 81,383	$ 2,372,714
Acquired during the year	–	–	393	393
Allocation of goodwill acquired in 2006	–	13,789	–	13,789
Goodwill adjustment	–	–	(3,098)	(3,098)
Balance, end of year	$ 1,347,781	$ 957,339	$ 78,678	$ 2,383,798

2006	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Balance, beginning of year	$ 1,347,781	$ 943,550	$ 82,152	$ 2,373,483
Acquired during the year	–	–	884	884
Goodwill adjustment	–	–	(1,653)	(1,653)
Balance, end of year	$ 1,347,781	$ 943,550	$ 81,383	$ 2,372,714

The components of other intangible assets are as follows:

2007	FINITE-LIFE	INDEFINITE-LIFE			
	DISTRIBUTION AND OTHER MANAGEMENT CONTRACTS	MUTUAL FUND MANAGEMENT CONTRACTS	TRADE NAMES	TOTAL	TOTAL
Cost	$ 27,092	$ 608,987	$ 268,368	$ 877,355	$ 904,447
Acquired during the year	5,877	48	–	48	5,925
Allocation of assets acquired in 2006	23,626	86,725	16,809	103,534	127,160
Accumulated amortization	(8,801)	–	–	–	(8,801)
Carrying value	$ 47,794	$ 695,760	$ 285,177	$ 980,937	$ 1,028,731

7. GOODWILL AND INTANGIBLE ASSETS *(continued)*

	FINITE-LIFE	INDEFINITE-LIFE			2006
	DISTRIBUTION CONTRACTS	MUTUAL FUND MANAGEMENT CONTRACTS	TRADE NAMES	TOTAL	TOTAL
Cost	$ 25,385	$ 608,853	$ 268,368	$ 877,221	$ 902,606
Acquired during the year	1,707	134	–	134	1,841
Accumulated amortization	(3,778)	–	–	–	(3,778)
Carrying value	$ 23,314	$ 608,987	$ 268,368	$ 877,355	900,669
Assets acquired, net of accumulated amortization					139,457
					$ 1,040,126

8. DEPOSITS AND CERTIFICATES

Included in the assets of the Consolidated Balance Sheets are cash and cash equivalents and loans amounting to $856.9 million (2006 – $777.5 million) related to deposits and certificates.

		TERM TO MATURITY				
	DEMAND	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	2007 TOTAL	2006 TOTAL
Deposits	**$ 678,796**	**$ 70,414**	**$ 99,780**	**$ 2,191**	**$ 851,181**	$ 771,259
Certificates	**–**	**256**	**1,744**	**3,714**	**5,714**	6,246
	$ 678,796	**$ 70,670**	**$ 101,524**	**$ 5,905**	**$ 856,895**	$ 777,505

9. OTHER LIABILITIES

	2007	2006
Accounts payable and accrued liabilities	**$ 358,928**	$ 356,049
Taxes payable	**169,738**	188,538
Dividends payable	**121,529**	105,284
Interest payable	**13,254**	13,255
Accrued benefit liabilities *(Note 10)*	**57,501**	52,987
Deferred revenue	**19,650**	14,244
Derivative instruments	**23,516**	4,940
Short-term borrowings	**99,845**	–
	$ 863,961	$ 735,297

The Company maintains operating lines of credit totalling $260 million with various Schedule A Canadian chartered banks. As at December 31, 2007, the Company had utilized $99.8 million (2006 – nil) of its operating lines of credit. Interest expense related to the lines of credit is based on bankers' acceptance rates.

10. EMPLOYEE FUTURE BENEFITS

The Company maintains a number of employee future benefit plans. These plans include a funded defined benefit pension plan for all eligible employees, an unfunded supplementary executive retirement plan (SERP) for certain executive officers, and an unfunded post-retirement health care and life insurance plan for eligible retirees.

	2007			2006		
	DEFINED BENEFIT PENSION PLAN	SERP	OTHER POST-RETIREMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERP	OTHER POST-RETIREMENT BENEFITS
Fair value of plan assets						
Balance, beginning of year	**$ 207,231**	**$ –**	**$ –**	$ 190,258	$ –	$ –
Employee contributions	**3,168**	**–**	**–**	2,869	–	–
Benefits paid	**(8,028)**	**–**	**–**	(8,569)	–	–
Actual return on plan assets	**5,331**	**–**	**–**	22,673	–	–
Balance, end of year	**207,702**	**–**	**–**	207,231	–	–
Accrued benefit obligation						
Balance, beginning of year	**154,493**	**18,088**	**42,341**	147,655	18,478	31,364
Benefits paid	**(8,028)**	**(894)**	**(770)**	(8,569)	(764)	(640)
Current service cost	**6,616**	**76**	**2,166**	6,101	72	1,378
Employee contributions	**3,168**	**–**	**–**	2,869	–	–
Interest cost	**8,235**	**928**	**2,391**	7,836	952	1,745
Actuarial losses (gains)	**(7,373)**	**(395)**	**1,375**	(1,399)	(650)	8,494
Balance, end of year	**157,111**	**17,803**	**47,503**	154,493	18,088	42,341
Funded status – plan surplus (deficit)	**50,591**	**(17,803)**	**(47,503)**	52,738	(18,088)	(42,341)
Unamortized net actuarial losses (gains)	**(5,067)**	**1,300**	**6,505**	(9,481)	2,008	5,434
Accrued benefit asset (liability)	**$ 45,524**	**$ (16,503)**	**$ (40,998)**	$ 43,257	$ (16,080)	$ (36,907)

The asset allocation by asset category of the funds invested for the defined benefit pension plan is equity securities 56% (2006 – 55%), fixed income securities 42% (2006 – 40%) and cash equivalents 2% (2006 – 5%).

10. EMPLOYEE FUTURE BENEFITS *(continued)*

	2007			2006		
	DEFINED BENEFIT PENSION PLAN	SERP	OTHER POST-RETIREMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERP	OTHER POST-RETIREMENT BENEFITS
Benefit (income) expense was determined as follows:						
Current service cost	$ 6,616	$ 76	$ 2,166	$ 6,101	$ 72	$ 1,378
Interest cost on accrued benefit obligation	8,235	928	2,391	7,836	952	1,745
Expected return on plan assets	(14,336)	–	–	(13,118)	–	–
Amortization of net actuarial (gains) losses	(2,781)	313	304	(737)	351	(306)
	$ (2,266)	$ 1,317	$ 4,861	$ 82	$ 1,375	$ 2,817
Significant weighted-average actuarial assumptions:						
Discount rate	5.57%	5.62%	5.53%	5.30%	5.25%	5.43%
Expected long-term rate of return on plan assets	7.00%	N/A	N/A	7.00%	N/A	N/A
Rate of compensation increase	4.40%	2.75%	N/A	4.40%	2.75%	N/A
Health care cost trend rate(1)	N/A	N/A	8.00%	N/A	N/A	9.00%

(1) Trending to 5.00% in 2010 and remaining at that rate thereafter.

The effect of a 1% increase in assumed health care cost trend rates would be an increase in the accrued other post-retirement benefit obligation of $10.1 million as at December 31, 2007 and an increase in the 2007 other post-retirement benefit expense of $1.1 million. A decrease of 1% in assumed health care cost trend rates would result in a decrease in the accrued other post-retirement benefit obligation of $7.9 million as at December 31, 2007 and a decrease in the 2007 other post-retirement benefit expense of $0.9 million.

In addition, the Company maintains a group RSP available only to certain employees. In 2007, the Company's contributions were $5.6 million (2006 – $5.3 million). The contributions are expensed as paid.

11. INCOME TAXES

The Company's effective income tax rate is derived as follows:

	2007	2006
Income taxes at Canadian federal and provincial statutory rates	**35.18%**	35.44%
Effect of:		
Dividend income	**(0.31)**	(0.15)
Net capital gains and losses	**(0.52)**	(0.75)
Share of earnings of affiliate *(Note 5)*	**(2.49)**	(2.55)
Preferred dividends paid	**0.60**	0.68
Impact of rate changes on future income taxes related to indefinite life intangible assets	**(1.23)**	(1.23)
Other items	**(2.55)**	(1.60)
Effective income tax rate	**28.68%**	29.84%
Components of income tax expense are:		
Current income taxes	**$ 386,372**	$ 338,224
Future income taxes	**(31,690)**	(6,993)
	$ 354,682	$ 331,231

Future income taxes consist of the following taxable temporary differences:

	2007	2006
Future income tax assets		
Accrued benefit liabilities	**$ 16,032**	$ 17,219
Non-capital loss carry forwards	**10,707**	11,290
Other	**40,946**	40,684
	67,685	69,193
Future income tax liabilities		
Deferred selling commissions	**313,257**	333,628
Intangible assets	**142,424**	150,773
Accrued benefit asset	**12,734**	13,963
Other	**14,026**	12,890
	482,441	511,254
Future income taxes	**$ 414,756**	$ 442,061

As at December 31, 2007, the Company has non-capital losses of $52.7 million (2006 – $71.1 million) available to reduce future taxable income, the benefits of which have not been recognized. If not utilized, these losses will expire as follows: 2008 – $1.0 million; 2009 – $0.3 million; 2010 – $8.0 million; 2013 – $1.4 million, and 2014 – $42.0 million.

12. LONG-TERM DEBT

	RATE	MATURITY	2007	2006
Debentures in Series (1)				
1997	6.65%	December 13, 2027	$ 125,000	$ 125,000
2001	6.75%	May 9, 2011	450,000	450,000
2001	7.45%	May 9, 2031	150,000	150,000
2002	7.00%	December 31, 2032	175,000	175,000
2003	6.58%	March 7, 2018	150,000	150,000
2003	7.11%	March 7, 2033	150,000	150,000
			$ 1,200,000	$ 1,200,000

(1) *The debentures are redeemable by the Company, in whole or in part, at any time, at the greater of par and a formula price based upon yields at the time of redemption.*

Interest expense relating to long-term debt was $83.1 million (2006 – $83.2 million).

There are no principal payments due in each of the next five years except $450.0 million due in 2011.

13. SHARE CAPITAL

Authorized

Unlimited number of:
- First preferred shares, issuable in series
- Second preferred shares, issuable in series
- Class 1 non-voting shares
- Common shares

Issued and outstanding

	2007		2006	
	SHARES	STATED VALUE	SHARES	STATED VALUE
First preferred shares, Series A	14,400,000	$ 360,000	14,400,000	$ 360,000
Common shares				
Balance, beginning of year	264,865,938	$ 1,493,954	264,539,213	$ 1,481,519
Issued under Stock Option Plan *(Note 16)*	717,660	18,229	598,425	13,963
Purchased for cancellation	(1,390,600)	(7,893)	(271,700)	(1,528)
Balance, end of year	264,192,998	$ 1,504,290	264,865,938	$ 1,493,954

13. SHARE CAPITAL *(continued)*

Preferred share liabilities

The preferred shares are entitled to a fixed 5.75% annual non-cumulative dividend payable quarterly. Such shares are redeemable by the Company on or after June 30, 2009 in cash, at $26.00 per share if redeemed prior to June 30, 2010, $25.67 if redeemed on or after June 30, 2010, but prior to June 30, 2011, $25.33 if redeemed on or after June 30, 2011, but prior to June 30, 2012 and $25.00 if redeemed on or after June 30, 2012. On or after June 30, 2009, the Company may convert each preferred share into that number of common shares determined by dividing the then applicable redemption price by the greater of $2.00 and 95% of the weighted-average trading price of the common shares at such time. On or after June 30, 2013, subject to the right of the Company to redeem for cash or to find substitute purchasers for such shares, each preferred share will be convertible at the option of the holder into that number of common shares determined by dividing $25.00 by the greater of $2.00 and 95% of the weighted-average trading price of the common shares at such time.

Normal course issuer bid

The Company commenced a normal course issuer bid, effective for one year, on March 22, 2007. Under this bid, the Company may purchase up to 13.3 million or 5% of its common shares as at March 14, 2007. As at December 31, 2007, 1,390,600 shares were purchased at a cost of $71.6 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

On March 22, 2006, the Company commenced a normal course issuer bid, effective for one year, authorizing it to purchase up to 13.2 million or 5% of its common shares outstanding as at March 14, 2006. As at December 31, 2006, 271,700 shares were purchased at a cost of $13.2 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

14. ACCUMULATED OTHER COMPREHENSIVE LOSS

	NET UNREALIZED GAINS (LOSSES), NET OF TAX			
	AVAILABLE FOR SALE SECURITIES	CASH FLOW HEDGES	OCL RELATED TO INVESTMENT IN AFFILIATE AND OTHER	TOTAL
2007				
Balance, beginning of year	**$ –**	**$ –**	**$ (39,777)**	**$ (39,777)**
Change in accounting policy *(Note 1)*	**81,374**	**(35,035)**	**–**	**46,339**
Other comprehensive loss	**(63,040)**	**35,035**	**(20,657)**	**(48,662)**
Balance, end of year	**$ 18,334**	**$ –**	**$ (60,434)**	**$ (42,100)**
2006				
Balance, beginning of year	$ –	$ –	$ (35,205)	$ (35,205)
Other comprehensive loss	–	–	(4,572)	(4,572)
Balance, end of year	$ –	$ –	$ (39,777)	$ (39,777)

15. INCOME TAXES ON COMPONENTS OF OTHER COMPREHENSIVE LOSS

	2007	2006
Net unrealized gains (losses) on available for sale securities	$ 14,341	$ –
Net unrealized gains (losses) on cash flow hedges	(7,519)	–
Total income taxes	$ 6,822	$ –

16. STOCK-BASED COMPENSATION

Stock option plan

Under the terms of the Company's Stock Option Plan (Plan), options to purchase common shares are periodically granted to employees at prices not less than the weighted average trading price per Common Share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. The options are subject to time and/or performance vesting conditions set out at the grant date and are exercisable no later than 10 years after the grant date. At December 31, 2007, 16,536,830 (2006 – 17,254,490) common shares were reserved for issuance under the Plan.

During 2007, the Company granted 1,565,820 options to employees (2006 – 810,400). A portion of the options granted to employees are subject to performance targets. The weighted-average fair value of time vesting options granted during the year ended December 31, 2007 has been estimated at $8.64 per option (2006 – $8.68) using the Black-Scholes option pricing model. The weighted-average fair value of performance based options granted during the year ended December 31, 2007 has been estimated at $4.63 per option (2006 – $5.35) using a barrier option pricing model. The assumptions used in these valuation models include: (i) risk-free interest rate of 3.97% (2006 – 4.11%), (ii) expected option life of six years (2006 – six years), (iii) expected volatility of 20.00% (2006 – 21.00%) and (iv) expected dividend yield of 3.36% (2006 – 3.17%).

The Company recorded compensation expense related to its stock option program of $7.6 million (2006 – $6.3 million).

	2007		2006	
	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
Balance, beginning of year	**8,494,870**	**$ 29.66**	8,451,760	$ 27.57
Granted	**1,565,820**	**50.91**	810,400	46.68
Exercised	**(717,660)**	**23.43**	(598,425)	22.03
Cancelled	**(257,300)**	**41.90**	(168,865)	33.43
Balance, end of year	**9,085,730**	**$ 33.47**	8,494,870	$ 29.66
Exercisable, end of year	**4,768,705**	**$ 25.50**	4,653,897	$ 23.62

16. STOCK-BASED COMPENSATION *(continued)*

Stock option plan *(continued)*

Options outstanding at December 31, 2007	EXPIRY DATE	EXERCISE PRICE ($)	OPTIONS OUTSTANDING	OPTIONS EXERCISABLE
	2008	20.99	36,264	36,264
	2009	21.21 – 24.27	219,581	219,581
	2010	17.00	22,000	22,000
	2011	19.83 – 22.78	2,391,137	2,391,137
	2012	27.81	62,200	57,700
	2013	25.66 – 28.66	1,067,488	839,840
	2014	33.52 – 35.77	1,343,294	617,635
	2015	37.09 – 37.78	1,720,753	486,539
	2016	46.68	732,673	98,009
	2017	50.60 – 50.92	1,490,340	–
			9,085,730	4,768,705

Share purchase plans

Under the Company's share purchase plans, eligible employees and financial planning consultants can elect each year to have a percentage of their annual earnings withheld, subject to a maximum, to purchase the Company's common shares. The Company matches 50% of the contribution amounts. All contributions are used by the plan trustee to purchase common shares in the open market. Shares purchased with Company contributions vest after a maximum period of three years following the date of purchase. The Company's contributions are recorded in Non-commission expense as paid and totalled $9.9 million (2006 – $7.6 million).

Deferred share unit plan

The Company has a deferred share unit plan for the directors of the Company to promote a greater alignment of interest between directors and shareholders of the Company. Under the Plan, directors are required to receive 50% of their annual retainer in the form of deferred share units and may elect to receive the balance of their annual retainer in cash or deferred share units. Directors may elect to receive their attendance fees in a combination of deferred share units and cash. The number of deferred share units granted is determined by dividing the amount of remuneration payable by the average closing price on the Toronto Stock Exchange of the common shares of the Company on the last five days of the fiscal quarter (the "value of deferred share unit"). A director who has elected to receive deferred share units will receive additional deferred share units in respect of dividends payable on common shares, based on the value of a deferred share unit at the dividend payment date. Deferred share units are redeemable when a participant is no longer a director, officer or employee of the Company or any of its affiliates by a lump sum cash payment, based on the value of the deferred share units at that time. At December 31, 2007, the fair value of the deferred share units outstanding was $7.3 million (2006 – $5.9 million). Any differences between the change in fair value of the deferred share unit plan and the change in fair value of the total return swap utilized as an economic hedge for the deferred share unit plan are recognized in Non-commission expense during the period in which the change occurs.

17. DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into derivative contracts which are either exchange-traded or negotiated in the over-the-counter market with either Schedule I and Schedule II bank counterparties on a diversified basis or bank-sponsored securitization trusts that are counterparties to the Company's securitization transactions. In all cases the derivative contracts are used for non-trading purposes. Interest rate swaps are contractual agreements between two parties to exchange the related interest payments based on a specified notional amount and reference rate for a specified period. Total return swaps are contractual agreements to exchange payments based on a specified notional amount and the underlying security for a specific period. Options are contractual agreements which convey the right, but not the obligation, to buy or sell specific securities at a fixed price at a future date. Forward sales are contractual agreements to sell a financial instrument on a future date at a specified price.

The amount subject to credit risk is limited to the current fair value of the instruments which are in a gain position. This represents a small percentage of the notional amount. The credit risk is presented below without giving effect to any netting agreements or collateral arrangements and does not reflect actual or expected losses. The total estimated fair value represents the total amount that the Company would receive or pay to terminate all agreements at each year end. However, this would not result in a gain or loss to the Company as the derivative instruments which correlate to certain assets and liabilities provide offsetting gains or losses.

The following table summarizes the Company's derivative financial instruments at December 31:

	NOTIONAL AMOUNT					FAIR VALUE	
2007	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	TOTAL	CREDIT RISK	ASSET	LIABILITY
Swaps	**$ 820,211**	**$ 3,198,521**	**$ 146,205**	**$ 4,164,937**	**$ 1,042**	$ 21	$ 18,948
Options purchased	**72,493**	**36,218**	**–**	**108,711**	**14,337**	14,337	–
Options written	**78,123**	**24,208**	**–**	**102,331**	**–**	–	4,568
Forward contracts	**13,302**	**–**	**–**	**13,302**	**539**	539	–
	$ 984,129	**$ 3,258,947**	**$ 146,205**	**$ 4,389,281**	**$ 15,918**	$ 14,897	$ 23,516
2006							
Swaps	$ 234,497	$ 1,820,037	$ 43,818	$ 2,098,352	$ 10,442	$ 8,978	$ 4,940
Options purchased	23,179	–	–	23,179	–	–	–
Options written	31,106	–	–	31,106	–	–	42,555
	$ 288,782	$ 1,820,037	$ 43,818	$ 2,152,637	$ 10,442	$ 8,978	$ 47,495

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the fair value of financial instruments using the valuation methods and assumptions described below. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties under no compulsion to act and best evidenced by a quoted market price, if one exists. Fair values are management's estimates and are generally calculated using market conditions at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and matters of significant judgment.

	2007		2006	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Assets				
Cash and cash equivalents	**$ 1,180,284**	**$ 1,180,284**	$ 1,325,468	$ 1,325,468
Securities	**696,279**	**696,279**	142,322	238,050
Loans	**553,947**	**550,956**	488,795	488,843
Other financial assets	**259,524**	**259,524**	264,276	264,276
Derivative assets	**14,897**	**14,897**	8,978	8,978
Total financial assets	**$ 2,704,931**	**$ 2,701,940**	$ 2,229,839	$ 2,325,615
Liabilities				
Deposits and certificates	**$ 856,895**	**$ 856,999**	$ 777,505	$ 778,703
Other financial liabilities	**651,057**	**651,057**	527,575	527,575
Derivative liabilities	**23,516**	**23,516**	4,940	4,940
Preferred share liabilities	**360,000**	**391,536**	360,000	403,632
Long-term debt	**1,200,000**	**1,353,036**	1,200,000	1,410,234
Total financial liabilities	**$ 3,091,468**	**$ 3,276,144**	$ 2,870,020	$ 3,125,084
Off-balance sheet derivative instruments *(Note 17)*	**$ –**	**$ –**	$ –	$ (42,555)

Fair value is determined using the following methods and assumptions:

The fair value of short-term financial instruments approximate carrying value. These include cash and cash equivalents, other financial assets, and other financial liabilities.

Securities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.

Loans are valued by discounting the expected future cash flows at market interest rates for loans with similar credit risk and maturity.

Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.

Preferred share liabilities are valued using quoted prices from active markets.

Long-term debt is valued by reference to current market prices for debentures and notes payable with similar terms and risks.

Derivative financial instruments fair values are based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or net present value analysis.

19. EARNINGS PER COMMON SHARE

	2007	2006
Earnings		
Net income	$ 879,135	$ 776,690
Number of common shares *(in thousands)*		
Average number of common shares outstanding	264,604	264,724
Potential exercise of outstanding stock options	2,699	2,671
Average number of common shares outstanding – Diluted basis	267,303	267,395
Earnings per common share *(in dollars)*		
Basic	$ 3.32	$ 2.93
Diluted	$ 3.29	$ 2.90

In certain circumstances, the preferred shares referred to in Note 13 are convertible into common shares. These conversions are not included in the calculation of diluted earnings per share as the Company has the option to settle in cash instead of shares.

20. CONTINGENCIES, COMMITMENTS AND GUARANTEES

Contingencies

The Company is subject to legal actions, including class actions, arising in the normal course of its business. Three class actions related to alleged market timing trading activity in mutual funds of the companies have been commenced. Investors Group entered into settlement agreements in 2004 with a number of its securities regulators in respect of such market timing trading activity. Although it is difficult to predict the outcome of such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

Commitments

The Company is committed to the following annual lease payments under its operating leases: 2008 – $38.2 million; 2009 – $35.4 million; 2010 – $30.5 million; 2011 – $22.4 million; and 2012 and thereafter – $110.8 million.

Guarantees

In the normal course of operations, the Company executes agreements that provide for indemnifications to third parties in transactions such as business dispositions, business acquisitions, loans and securitization transactions. The Company has also agreed to indemnify its directors and officers. The nature of these agreements precludes the possibility of making a reasonable estimate of the maximum potential amount the Company could be required to pay third parties as the agreements often do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. Historically, the Company has not made any payments under such indemnification agreements. No amounts have been accrued related to these agreements.

21. RELATED PARTY TRANSACTIONS

The Company enters into transactions with The Great-West Life Assurance Company (Great-West), London Life Insurance Company (London Life) and The Canada Life Assurance Company (Canada Life), which are all subsidiaries of its affiliate, Lifeco, which is a subsidiary of Power Financial Corporation. These transactions are in the normal course of operations and have been recorded at the agreed upon exchange amounts.

During 2007 and 2006, the Company provided to and received from Great-West certain administrative services. The Company distributes insurance products under a distribution agreement with Great-West and Canada Life and received $31.8 million in distribution fees (2006 – $29.0 million). The Company received $14.2 million (2006 – $13.0 million) related to the provision of sub-advisory services for certain Great-West, London Life, and Canada Life segregated mutual funds. The Company paid $30.9 million (2006 – $21.0 million) to London Life related to the distribution of certain mutual funds of the Company.

During 2007, the Company sold residential mortgage loans to Great-West and London Life for $153.7 million (2006 – $291.4 million).

22. SEGMENTED INFORMATION

Investors Group and Mackenzie earn fee-based revenues in the conduct of their core business activities which are primarily related to the distribution, management and administration of their mutual funds. Fee revenues are also derived from the provision of brokerage services. Intermediary revenues are derived primarily from the assets funded by deposit and certificate products and from mortgage banking and servicing activities. In addition, Investors Group earns fee revenue from the distribution of insurance products and equity income from its investment in Lifeco.

Corporate and Other includes Investment Planning Counsel, net investment income on unallocated investments, and interest expense on corporate debt.

The results of the reportable segments reflect the Company's internal financial reporting systems.

				2007
	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Fee and net investment income				
Management	$ 1,176,732	$ 873,795	$ 45,505	$ 2,096,032
Administration	208,551	139,228	1,649	349,428
Distribution	127,097	30,348	98,056	255,501
Net investment income and other	126,201	19,962	47,983	194,146
	1,638,581	1,063,333	193,193	2,895,107
Operating expenses				
Commissions	460,060	395,307	91,686	947,053
Non-commission	293,598	292,890	36,500	622,988
	753,658	688,197	128,186	1,570,041
Earnings before undernoted	$ 884,923	$ 375,136	$ 65,007	1,325,066
Interest expense				88,330
Income before income taxes and non-controlling interest				1,236,736
Income taxes				354,682
Income before non-controlling interest				882,054
Non-controlling interest				2,919
Net income				$ 879,135
Identifiable assets	$ 1,556,402	$ 2,519,443	$ 1,398,952	$ 5,474,797
Goodwill	1,347,781	957,339	78,678	2,383,798
Total assets	$ 2,904,183	$ 3,476,782	$ 1,477,630	$ 7,858,595

22. SEGMENTED INFORMATION *(continued)*

				2006
	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Fee and net investment income				
Management	$ 1,046,230	$ 771,674	$ 39,985	$ 1,857,889
Administration	181,373	130,624	1,248	313,245
Distribution	115,663	31,791	73,710	221,164
Net investment income and other	146,016	27,142	39,142	212,300
	1,489,282	961,231	154,085	2,604,598
Operating expenses				
Commissions	392,511	370,430	69,853	832,794
Non-commission	273,846	267,466	32,087	573,399
	666,357	637,896	101,940	1,406,193
Earnings before undernoted	$ 822,925	$ 323,335	$ 52,145	1,198,405
Interest expense				88,420
Income before income taxes and non-controlling interest				1,109,985
Income taxes				[illegible]
Income before non-controlling interest				778,754
Non-controlling interest				2,064
Net income				$ 776,690
Identifiable assets	$ 1,440,745	$ 2,505,129	$ 1,013,948	$ 4,959,822
Goodwill	1,347,781	943,550	81,383	2,372,714
Total assets	$ 2,788,526	$ 3,448,679	$ 1,095,331	$ 7,332,536

Quarterly Review

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31	2007				2006			
($ thousands except per share amounts)	4	3	2	1	4	3	2	1
Fee and net investment income								
Management	**$ 522,094**	**$ 531,636**	**$ 530,466**	**$ 511,836**	$ 493,194	$ 456,481	$ 455,907	$ 452,307
Administration	**90,255**	**90,740**	**84,676**	**83,757**	79,586	77,097	76,520	80,042
Distribution	**66,769**	**64,620**	**61,943**	**62,169**	55,402	54,154	54,841	56,767
Net investment income and other	**42,499**	**43,833**	**44,785**	**63,029**	50,380	55,370	49,345	57,205
Total fee and net investment income	**721,617**	**730,829**	**721,870**	**720,791**	678,562	643,102	636,613	646,321
Operating expenses								
Commission expense	**241,428**	**237,970**	**236,251**	**231,404**	218,983	205,198	206,204	202,409
Non–commission expense	**156,685**	**154,994**	**154,110**	**157,199**	147,973	134,491	141,504	149,431
Interest expense	**22,222**	**22,221**	**22,036**	**21,851**	22,222	22,221	22,036	21,941
Total operating expenses	**420,335**	**415,185**	**412,397**	**410,454**	389,178	361,910	369,744	373,781
Income before undernoted	**301,282**	**315,644**	**309,473**	**310,337**	289,384	281,192	266,869	272,540
Income taxes	**66,317**	**96,424**	**92,794**	**99,147**	89,126	89,507	65,709	86,889
Income before non–controlling interest	**234,965**	**219,220**	**216,679**	**211,190**	200,258	191,685	201,160	185,651
Non–controlling interest	**630**	**823**	**825**	**641**	666	252	748	398
Net income								
In accordance with GAAP	**$ 234,335**	**$ 218,397**	**$ 215,854**	**$ 210,549**	$ 199,592	$ 191,433	$ 200,412	$ 185,253
Reconciliation of non–GAAP financial measures(1)								
Adjusted net Income (non–GAAP)	**$ 219,067**	**$ 218,397**	**$ 215,854**	**$ 210,549**	$ 199,592	$ 191,433	$ 186,764	$ 185,253
Non–cash income tax benefit	**15,268**	**–**	**–**	**–**	–	–	13,648	–
Net Income (GAAP)	**$ 234,335**	**$ 218,397**	**$ 215,854**	**$ 210,549**	$ 199,592	$ 191,433	$ 200,412	$ 185,253
Diluted earnings per share *(¢)*								
In accordance with GAAP	**88**	**82**	**81**	**79**	75	72	75	69
Adjusted earnings per share	**82**	**82**	**81**	**79**	75	72	70	69
Dividends per share *(¢)*	**46.0**	**46.0**	**42.75**	**42.75**	39.75	39.75	37.0	37.0

STATISTICAL DATA *($ millions)*

Mutual funds								
Investors Group								
Sales	**$ 1,637**	**$ 1,593**	**$ 1,719**	**$ 2,280**	$ 1,497	$ 1,245	$ 1,453	$ 1,995
Redemption rate (%) – total	**8.4**	**8.4**	**8.5**	**8.7**	9.0	9.3	9.6	9.7
– long–term funds	**7.3**	**7.3**	**7.4**	**7.7**	7.9	8.1	8.4	8.5
Net sales	**386**	**370**	**401**	**1,001**	335	127	165	718
Assets under management	**60,194**	**61,205**	**61,334**	**60,179**	58,216	53,993	51,831	53,846
Mackenzie Financial Corporation								
Sales	**1,857**	**1,829**	**2,173**	**2,594**	2,139	1,446	1,990	2,849
Redemption rate (%) – total	**17.8**	**17.7**	**17.3**	**17.6**	17.8	17.7	18.0	17.8
– long–term funds	**14.1**	**14.2**	**14.2**	**14.8**	15.2	15.1	15.3	15.1
Net sales (redemptions)	**(248)**	**(212)**	**137**	**234**	208	(194)	32	612
Assets under management	**46,563**	**47,492**	**48,502**	**47,823**	46,600	43,498	42,401	43,967
Investment Planning Counsel								
Sales	**66**	**80**	**84**	**134**	83	63	85	121
Redemption rate (%) – total	**9.8**	**9.2**	**9.4**	**9.5**	9.8	9.8	10.1	10.1
– long–term funds	**9.4**	**8.8**	**9.1**	**9.2**	9.4	9.5	9.7	9.7
Net sales (redemptions)	**(1)**	**34**	**31**	**75**	34	19	38	64
Assets under management	**2,268**	**2,294**	**2,316**	**2,296**	2,206	2,026	1,959	1,995
Combined mutual fund assets under management(2)	**108,994**	**110,959**	**112,117**	**110,263**	106,987	99,483	96,158	99,774
Total Assets under management	**122,982**	**124,228**	**125,862**	**123,414**	119,364	110,431	103,732	107,179
Corporate assets	**7,859**	**7,750**	**7,538**	**7,468**	7,333	7,123	6,918	6,833
Consultants – Investors Group	**4,331**	**4,225**	**4,093**	**3,985**	3,917	3,860	3,766	3,676

(1) Refer to page 18 of the MD&A for an explanation of the Company's use of non-GAAP financial measures.
(2) Adjusted for inter-segment assets.

Ten Year Review

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31

($ thousands, except per share amounts)	2007	2006	2005	2004	2003	CAGR(1) 5 YEAR %	2002	2001	2000	1999	1998	CAGR 10 YEAR
Fee income	**2,700,961**	2,392,298	2,164,472	1,955,740	1,714,373	*8.3*	1,813,205	1,626,934	1,075,504	939,656	864,445	*14.0*
Net investment income	**194,146**	212,300	183,108	163,331	159,808	*8.9*	126,510	133,515	121,604	86,782	73,730	*10.6*
	2,895,107	2,604,598	2,347,580	2,119,071	1,874,181	*8.3*	1,939,715	1,760,449	1,197,108	1,026,438	938,175	*13.7*
Operating expenses	**1,658,371**	1,494,613	1,372,222	1,256,555	1,050,722	*7.9*	1,133,066	1,176,427	690,398	612,300	614,004	*11.6*
	1,236,736	1,109,985	975,358	862,516	823,459	*8.9*	806,649	584,022	506,710	414,138	324,171	*17.4*
Dilution gain	**–**	–	–	–	14,820	–	–	–	–	–	–	–
Income before undernoted	**1,236,736**	1,109,985	975,358	862,516	838,279	*8.9*	806,649	584,022	506,710	414,138	324,171	*17.4*
Income taxes	**354,682**	331,231	291,500	264,969	299,198	*2.2*	317,401	252,474	222,418	178,525	135,827	*13.3*
	882,054	778,754	683,858	597,547	539,081	*12.5*	489,248	331,548	284,292	235,613	188,344	*19.6*
Goodwill amortization, net of tax	**–**	–	–	–	–	–	–	71,969	267	–	–	–
	882,054	778,754	683,858	597,547	539,081	*12.5*	489,248	259,579	284,025	235,613	188,344	*19.6*
Discontinued operations	**–**	–	–	–	–	–	1,811	116	–	–	–	–
	882,054	778,754	683,858	597,547	539,081	*12.4*	491,059	259,695	284,025	235,613	188,344	*19.6*
Non-controlling interest	**2,919**	2,064	1,431	1,151	–	–	–	–	–	–	–	–
Net income												
In accordance with GAAP	**879,135**	776,690	682,427	596,396	539,081	*12.4*	491,059	259,695	284,025	235,613	188,344	*19.5*
Adjusted net income(2)	**863,867**	763,042	682,427	615,577	533,563	*12.0*	491,059	392,637	284,292	235,613	188,344	*19.3*
Diluted earnings per share *($)*												
In accordance with GAAP	**3.29**	2.90	2.56	2.24	2.03	*12.2*	1.85	1.05	1.35	1.12	0.89	*16.7*
Adjusted earnings per share(2)	**3.23**	2.85	2.56	2.31	2.01	*11.8*	1.85	1.58	1.35	1.12	0.89	*16.5*
Dividends per share *(¢)*	**178**	154	134	115	99	*15.6*	86	73	61	49	38	*19.5*
Return on average common equity (ROE) *(%)*												
In accordance with GAAP	**21.9**	21.4	20.0	19.1	19.1	–	19.2	16.7	28.1	26.4	23.8	–
Adjusted ROE(2)	**21.5**	21.1	20.0	19.8	18.9	–	19.2	19.6	28.1	26.4	23.8	–
Average shares outstanding *(thousands)*												
– Basic	**264,604**	264,724	264,573	264,431	263,915	–	263,487	247,093	210,012	210,854	211,396	–
– Diluted	**267,303**	267,395	266,609	266,010	265,174	–	264,873	247,932	210,870	210,854	211,396	–
Share price *(closing $)*	**50.03**	49.10	46.12	36.64	31.05	*13.3*	26.75	25.50	25.95	20.60	26.40	*8.3*

Includes Mackenzie from date of acquisition (April 20, 2001).
Includes Investment Planning Counsel from date of acquisition (May 10, 2004).
(1) Compound annual growth rate.
(2) Non-GAAP Financial Measures – Items denoted as being excluded refer to:
2007 and 2006 – Non-cash income tax benefit as discussed on page 18 of the Management's Discussion and Analysis (MD&A).
2004 – Unitholder compensation.
2003 – Dilution gain, restructuring reversal and non-cash income tax charge.
2001 and 2000 – Goodwill amortization and Mackenzie restructuring costs.

Ten Year Review

STATISTICAL INFORMATION

For the years ended December 31

($ millions)	2007	2006	2005	2004	2003	CAGR(1) 5 YEAR %	2002	2001	2000	1999	1998	CAGR(1) 10 YEAR %
Mutual funds												
Investors Group												
Sales	**7,229**	6,190	5,488	4,722	4,021	*8.0*	4,916	6,027	7,053	5,915	6,296	*1.0*
Redemption rates *(%)*												
– total	**8.4**	9.0	10.0	10.6	12.8	–	12.6	11.6	14.0	11.9	10.0	–
– long–term funds	**7.3**	7.9	8.7	9.1	10.7	–	10.2	9.6	11.7	9.8	8.3	–
Net sales (redemptions)	**2,158**	1,345	778	218	(839)	*N/M*	(109)	1,031	976	1,370	2,887	*(4.8)*
Assets under management	**60,194**	58,216	50,701	44,510	40,904	*9.9*	37,588	41,644	44,498	40,650	36,064	*6.4*
Mackenzie(2)												
Sales	**8,453**	8,424	8,075	6,786	5,282	*7.1*	5,998	3,454	–	–	–	–
Redemption rates *(%)*												
– total	**17.8**	17.8	17.6	16.9	17.3	–	17.6	16.7	–	–	–	–
– long–term funds	**14.1**	15.2	14.8	13.8	13.0	–	11.9	11.6	–	–	–	–
Net sales (redemptions)	**(89)**	658	1,175	795	(69)	*N/M*	288	24	–	–	–	–
Assets under management	**46,563**	46,600	41,592	37,298	33,770	*8.6*	30,860	33,400	–	–	–	–
Investment Planning Counsel												
Sales	**364**	352	407	259	–	–	–	–	–	–	–	–
Redemption rates *(%)*												
– total	**9.8**	9.8	10.2	10.5	–	–	–	–	–	–	–	–
– long–term funds	**9.4**	9.4	9.7	9.5	–	–	–	–	–	–	–	–
Net sales (redemptions)	**139**	155	237	161	–	–	–	–	–	–	–	–
Assets under management	**2,268**	2,206	1,858	1,497	–	–	–	–	–	–	–	–
Combined mutual fund assets under management(3)	**108,994**	106,987	94,116	83,273	74,674	*9.8*	68,448	75,044	44,498	40,650	36,064	*13.0*
Total assets under management	**122,982**	119,364	100,233	86,621	76,737	*11.9*	69,969	76,951	44,498	40,650	36,064	*14.3*
Corporate Assets	**7,859**	7,333	6,807	6,473	6,292	*5.6*	5,987	6,122	1,985	1,812	1,799	*16.1*
Consultants – Investors Group	**4,331**	3,917	3,668	3,496	3,223	*5.4*	3,324	3,409	3,483	3,626	3,774	*2.1*

Includes Mackenzie from date of acquisition (April 20, 2001).
Includes Investment Planning Counsel from date of acquisition (May 10, 2004).
(1) Compound annual growth rate.
(2) For Canadian mutual fund operations only.
(3) Adjusted for inter-segment assets.

Board of Directors and Executive Officers

AS AT DECEMBER 31, 2007

Board of Directors

Robert Gratton
Chairman of the Board
IGM Financial Inc.

André Desmarais, O.C. [1,4,5,7]
President and Co-Chief Executive Officer
Power Corporation of Canada

Paul Desmarais, Jr., O.C. [1,4,5,7]
Chairman and Co-Chief Executive Officer
Power Corporation of Canada
Chairman of the Executive Committee
Power Financial Corporation

Robert Gratton [1,4,5,7]
Chairman of the Board
IGM Financial Inc.
Chairman of the Board
Power Financial Corporation

Daniel Johnson [1,4]
Counsel
McCarthy Tétrault LLP

The Right Honourable
Donald F. Mazankowski, P.C., O.C., A.O.E. [1,2,4]
Company Director

John S. McCallum [2,3,6,7]
Professor of Finance
University of Manitoba

Raymond L. McFeetors
President and Chief Executive Officer
Great-West Lifeco Inc.

R. Jeffrey Orr [1,4,5,7]
President and Chief Executive Officer
Power Financial Corporation

Roy W. Piper [2,3,5,6,7]
Self-Employed Farmer

Michel Plessis-Bélair, F.C.A. [1,4]
Vice-Chairman
Power Corporation of Canada

Susan Sherk [1,3,5,6]
Senior Human Environmental Associate
AMEC Earth and Environmental

Charles R. Sims [1]
Co-President and Chief Executive Officer
IGM Financial Inc.
President and Chief Executive Officer
Mackenzie Financial Corporation

Murray J. Taylor [1,4]
Co-President and Chief Executive Officer
IGM Financial Inc.
President and Chief Executive Officer
Investors Group Inc.

Gérard Veilleux, O.C., D.U. [3]
Vice-President
Power Corporation of Canada

Director Emeritus
The Honourable
Paul Desmarais, P.C., C.C.

Executive Officers

Charles R. Sims
Co-President and Chief Executive Officer

Murray J. Taylor
Co-President and Chief Executive Officer

Gregory D. Tretiak
Executive Vice-President and
Chief Financial Officer

Committees

1. Executive Committee
   Chair, R. Jeffrey Orr
2. Audit Committee
   Chair, The Right Honourable
   Donald F. Mazankowski, P.C., O.C., A.O.E.
3. Public Policy Committee
   Chair, Susan Sherk
4. Investment Committee
   Chair, R. Jeffrey Orr
5. Compensation Committee
   Chair, R. Jeffrey Orr
6. Related Party and Conduct
   Review Committee
   Chair, John S. McCallum
7. Governance and Nominating Committee
   Chair, Robert Gratton

Shareholder Information

Head Office

447 Portage Avenue
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R3C 3B6
Telephone: 204 943 0361
Fax: 204 947 1659

Auditors

Deloitte & Touche LLP

Transfer Agent and Registrar

Computershare Trust
Company of Canada

Telephone: 800 564 6253
service@computershare.com
Fax: 888 453 0330

600, 530-8th Avenue S.W.
Calgary, Alberta T2P 3S8

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1500 University Street, 7th Floor
Montreal, Quebec H3A 3S8

100 University Avenue,
11th Floor
Toronto, Ontario M5J 2Y1

510 Burrard Street, 2nd Floor
Vancouver, British Columbia
V6C 3B9

830-201 Portage Avenue
Winnipeg, Manitoba
R3B 3K6

Stock Exchange Listing

Toronto Stock Exchange
Shares of IGM Financial Inc. are listed on the Toronto Stock Exchange under the following listings:
Common Shares: IGM
First Preferred Shares, Series A: IGM.PR.A

Analyst Contact

For additional financial information about the Company, please contact:
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Chief Financial Officer
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greg.tretiak@investorsgroup.com

Shareholder Information

For additional information about the Company, please contact:
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Si vous préférez recevoir ce rapport annuel en français, veuillez vous adresser au Secrétaire de Société financière IGM Inc.,
447 Portage Avenue,
Winnipeg (Manitoba) R3C 3B6

Annual Meeting

The Annual Meeting of IGM Financial Inc. will be held at the Winnipeg Convention Centre, Main Floor, 375 York Avenue, Winnipeg, Manitoba
on Friday, May 2, 2008 at 10:00 a.m. CDT.

Websites

Visit our websites at
www.igmfinancial.com
www.investorsgroup.com
www.mackenziefinancial.com
www.ipcc.ca

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